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ARIZONA CORPORATION COMMISSION

February 4, 2010

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
DOCKETED

FEB - 5 2010

RE: Docket Nos.: E-01575A-08-0328 and E-01575A-09-0453

Dear Colleagues, Parties and Other Interested Persons:

DOCKETED BY  
*[Signature]*

I am writing to request that the following issues be considered in the Sulphur Springs Valley Electric Coop (SSVEC) docket E-01575A-08-0328 regarding the proposed 69kV line.

I want to ask SSVEC and all interested parties to 'lay down arms' and commit to a more productive dialogue. It is clearly in the interests of everyone – the SSVEC members, SSVEC management, the Commission, staff and Arizona citizens that we agree to disagree and commit to an open and transparent process.

SSVEC's purpose is to serve its members, and while members may disagree on how that purpose is best served, a full and fair hearing of the issues is clearly in order.

In this spirit, I request that SSVEC respond to the following questions:

Attached Email from Jack Blair to SSVEC employees dated 1/23/2010

1. Why did you send an email to your employees asking them to call and write the ACC to complain about the delay in the 69kV line, and to do so from personal email accounts rather than work email accounts? And why did you ask them to have friends and family from outside of SSVEC territory do the same?
2. Please submit information about the poll mentioned in the email that SSVEC conducted, how much the poll cost, what company did the poll, and whether the sampling was statistically valid.

SSVEC Funds Spent on Attorneys' Fees

3. How much money has SSVEC spent on attorneys' fees in various dockets at the ACC? Please submit the information by docket, year paid, payee and the hourly rate, number of hours submitted for payment by attorneys, paralegals and other legal professionals.

Intervener Discovery Requests

4. There are a number of outstanding discovery requests by interveners. I respectfully request that SSVEC answer the outstanding questions as soon as possible.

General Questions

5. How much money has SSVEC spent so far on equipment for the 69kV line?
6. Why isn't a public forum scheduled for Sonoita?

7. Please provide a list of every SSVEC member who has requested a solar rebate, along with the date the rebate was requested, and the amount requested.
8. What was the process to select the consultant TRC, which chose Navigant for the Feasibility study? How was the consultant TRC chosen? What did TRC do, and how much were they paid?
9. How much were other bids?
10. How much do comparable studies cost?
11. What did SSVEC pay per hour for the consulting study?
12. Why does SSVEC believe that it is exempt from the ACC's jurisdiction?
13. Please provide a copy of all letters sent to SSVEC membership in the past 3 years, along with the cost of each to write, print and mail, as well as the author of each letter; including letter from Mr. Huber dated October 2, 2008 re: 69kV line.
14. Please provide a copy of all voicemails left for SSVEC members, as well as the amount of money spent for each different message.
15. Please provide a copy of every letter sent to each net metered customer and/or each customer with solar panels installed.

In December 2009 Navigant Consulting submitted a report titled *Independent Feasibility Study of Electric Supply Alternatives*. The study was to consider feeder performance and supply options for customers served by the V-7 distribution feeder, which serves 2,400 electric meters along 360 miles of lines. SSVEC would like to build 24 miles of a new 69kV line and new substation in Sonoita.

Questions from Mr. Marshall Magruder to the Docket dated January 27, 2010

16. Please respond in writing to the 27 points brought up by Mr. Magruder.
17. Please respond in particular to Mr. Magruder's assertion on page 1 of his letter that the Navigant study found on page 2 that new supply alternatives would reduce line exposure by creating new feeder segments and improve reliability by 15 to 30 percent. If this is true, wouldn't distributed generation (DG) added by SSVEC members in the past two years help reliability? How much DG has been brought online by members?
18. How many requests for new service has SSVEC had in the past year, two years, three years, and five years? Mr. Magruder asserts that SSVEC included 222 persons in three bankrupt subdivisions without buyers – is this true?
19. What has SSVEC's electricity growth been in the past year, two years, three years, and five years?

20. In light of the current extended economic downturn, what does SSVEC believe its growth rate will be in the next year, two years, three years, five years, and ten years?

21. What are the costs of mitigating reliability and performance? The study does not appear to address them.

Questions about the Navigant Study

22. How much did the study cost? The attached email from Jack Blair to all SSVEC employees says the study cost \$360,000 while other articles say the study cost about \$160,000. Why are there large differences in the cost? Is SSVEC including any other costs, such as SSVEC employee time etc.?

Questions from the Navigant Study

23. Why didn't the study include 2009 data?

24. Do I understand correctly that there is the need for about 2 MW of power, but that the 69 kV line is high enough to add 40-50 MW of capacity? Why do you want this line if the area is only 2-3 MW 'short'? There are rumors that the proposed 69kV line is actually for a mine expansion. Is this true?

25. What about re-conductoring the line? Please submit all information about the prescriptive easements in the line's path.

26. How many kW of solar PV were installed in 2008 and 2009?

27. Did Navigant or SSVEC consider a small-scale natural gas generator in Patagonia?

28. Table ES-1 on page 2 shows that the average SSVEC customer has experienced 3 hours of outages/year, not 270 hours/year as stated by Jack Blair in a recent article in the Sierra Vista Herald. Please explain why Mr. Blair has repeatedly stated that customers are experiencing 270 hours of outages/year when the Navigant study says 3 hours.

29. The study says that the outages are mostly caused by lightning and animals, and that the large majority of outages affect less than 3-5 customers. How would a new 69kV line affect outages caused by lightning and animals?

30. What is the potential for Demand Aggregation to reduce peak load demand?

31. On page 3, the study says that small amounts of demand reduction and "judiciously placed generation" would result in net effective generation of up to 150 percent of nameplate. How much "judiciously placed distributed generation would be needed, and where? If the current 750 kW school PV systems are included, as well as customer-sited generation, how much of the gap would be closed?

32. Page 4 of the study says that reductions in peak electric heating and/or fuel switching are cost-effective solutions, but that the potential is unknown. Why wasn't this potential reduction in demand looked at, and how might that be determined?

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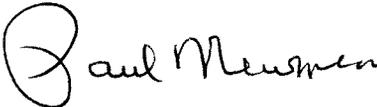
33. How much has SSVEC's demand been reduced during the past year, the past two years, and the past three years?
34. Page 5 of the study says that Concentrating Solar Power (CSP) would be large and expensive with 'potentially undesirable visual impacts.' Did the study look at Dish Stirling, which can be added close to load? Aren't power lines much more intrusive than a CSP plant?
35. Figure 4 on page 13, titled V-7 Feeder Outages by Cause Code shows that the number of outages due to overload are a small fraction of the outages caused by lighting, birds and unknown causes. How can building a new 69kV line be justified when line overloading occurs so seldom?
36. On page 14, the study explains that an unexpected issue with transformer fuses was discovered, and in footnote 8, it explains that SSVEC's standard for line transformer arrester placement is adjacent to the fuse cutout, while industry research suggests the preferred placement for arresters is directly on the transformer to reduce voltage potential rise on the transformer leads. Would placing these arresters more in line with industry standards improve the reliability? If so, how much?
37. The study states that reliability to the region will not be improved by installing this \$13.5 million line, while the proposed Sonoita distribution substation may improve reliability by up to 30%. Why isn't this being more seriously considered, since the distribution feeders are where the problem is?
38. Would SSVEC be amenable to an audit of its REST program to help answer some of the above questions?

I apologize for the length of this letter, but clearly some transparency is in order. I think SSVEC will agree with me that its purpose is to serve the members, and disclosure and full knowledge by all parties is essential to good decision-making.

**I further suggest that we agree to hold a work session in Sonoita before we continue these highly-charged discussions.**

I request that all interested persons let my office know if they would like to participate in a work session to get to the bottom of these critical issues. Please contact me at [pnewman@azcc.gov](mailto:pnewman@azcc.gov) or call (602) 542-3682.

Sincerely,



Paul Newman  
Commissioner

**From:** Jack Blair  
**Sent:** Friday, January 22, 2010 2:07 PM  
**To:** All Employees  
**Subject:** SSVEC Needs your help

**I'm sure that you've all are sick and tired of hearing about the Sonoita line and we are hoping with the assistance of our employees, friends, family, and supporters we can bring an end to this matter soon. We've filed a motion with the ACC to allow us to build the line immediately. We have a letter coming from Cochise County soon to build the line immediately. We have a poll that's just been completed that shows that 84% of our members overall and 75% of those in Sonoita want the line built. We will be filing this poll information as soon as we receive the final copy.**

**We need to also get oodles of letters to the Commissioners to they can see that we aren't the bad company a few people in Sonoita are telling them we are and that the line needs to be built ASAP.**

**Below is the information on the line and the bad publicity we've been getting, the e mail addresses of the commissioners, and some key talking points.**

**Want we need each of you to do USING YOUR OWN PERSONAL E MAIL ADDRESSES (DO NOT USE YOUR COMPANY E MAIL) is to write the ACC commissioners (all of them please) and express your opinion. Feel free to have all members of your family also send them an e mail. Feel free to have your friends do the same. They do not need to live in our service territory or even in the same state (25% of the opponents in the Tucson hearing were not SSVEC members). If you have more than one personal e mail address you may use it as well (the opponents do). Feel free to write them more than once (the opponents do).**

**Please start to send this immediately (from your personal e mail). We want a flood of e mail to greet them on Monday.**

**If you have any questions please call me either at the office or on my cell phone 5089957 (even on the weekends or at night).**

**Print out the attached petition and get signatures and return to Roxanne. It is attached.**

## **KEY POINTS FOR LETTERS AND E MAILS FOR SONOITA**

SSVEC needs the help of its members to prevent unnecessary rate increases due to the actions of opponents to a new 69kV transmission line that you have probably read about. These continue to cost SSVEC and hence our members hundreds of thousands of dollars. Negative attacks on the co-op have done considerable harm to SSVEC's reputation. We need to correct misunderstandings and factual errors that have entered the public debate on this issue.

Here is the story:

There is a controversy over the planned 69 kV line that runs from Mustang Corners down to Sonoita. SSVEC purchased the easements for this line in 1982 when only one person lived on that line in anticipation of future growth. Through the use of technology, SSVEC has managed to delay building this line for almost 30 years. This line has now reached, and at times, exceeded the maximum capacity and the members suffer significant loss of power and voltage drops. There is now no other alternative than to build a new line. Since SSVEC has purchased this easement, people have purchased property and built houses near this easement. At the time they bought and built, they clearly understood that eventually SSVEC would be constructing a line. These people, which number about 2 dozen but make the noise of hundreds, don't want this line built and instead support it to be built along someone else's property or not built at all. They have also suggested using alternative or renewable energy to provide power to the affected area (Sonoita, Elgin, and Patagonia). They are also suggesting that they are willing to live with poor electric service and no more growth in the area.

Over the past several years, SSVEC has looked at all of the alternatives that have been proposed and have made some changes (for example, relocating the substation and are using poles with less visual impact, even though it added to the cost of the project). Our studies, now confirmed by a professional, independent study ordered by the Arizona Corporation Commission, have determined that the route we chose was the best, most cost efficient route, solves all of the issues (low voltage and outages), and impacts the fewest people, and should be built immediately.

The professional engineering staff of the Arizona Corporation Commission (ACC) also reviewed this project and came to the same conclusion that SSVEC did. Later, the Administrative Law Judge who heard the case (Jane Rodda) also agreed with SSVEC's need to build the line quickly and also said that the ACC didn't have jurisdiction.

When the ACC held a hearing in Sierra Vista on this issue a year ago, the Chairman of the Commission, Kris Mayes, began the meeting saying that the ACC does not have

jurisdiction over a line of this size (by law they only have jurisdiction over 110 kV lines and above).

Immediately after this hearing a small group of opponents claiming to represent the community, bombarded the ACC with negative letter after negative letter saying SSVEC was a bad company. Your cooperative was accused of lying, of making up figures, and of being unworthy of trust.

At the SSVEC rate case hearing, 40 members of the public showed up and protested the line. Of these 40, merely only 19 with SSVEC memberships, since many were husband/wife and mother/daughter. 11 people didn't even live in SSVEC territory. Supporters of the line didn't show up, perhaps because the Chairman had said the ACC didn't have jurisdiction, so attending the rate hearing to talk about the transmission line would be thought a waste of time.

At the end of the hearing, Commissioner Paul Newman made a motion that an independent third party should conduct a study to be paid for by SSVEC (and this means our members), and forbidding us from building the line until the ACC ordered us. The ACC overstepped its jurisdiction and agreed to this study, to be followed by a series of meetings. The opponents then increased their attacks on SSVEC's credibility.

We recently mailed results of this independent third party study to you. The study was performed by Navigant, a world renowned engineering firm. That study agreed with SSVEC on the route of the line, the type of the line, and the need to begin building at once. The cost of this study was \$360,000, which all SSVEC members will be paying.

We have filed with the ACC a 252 motion, which says that since SSVEC found this route to be the correct one, since the ACC's own engineers agreed with us and now that an independent third party has also agreed, SSVEC should begin construction immediately. Not surprisingly, the opponents say, the study is flawed. I might add that that Navigant met with the opponents and incorporated their ideas into their study.

The more time that goes on the more money this will cost SSVEC and its members. The opponents have intervened in this case and are asking for every piece of paper going back years that have even the remotest connection to this line. This is costing SSVEC thousands of dollars in salary (many of the folks are hourly workers that due this research and thus overtime is involved), and our attorney fees also continue to rise. We conservatively estimate that every month this case continues it will cost SSVEC at least \$10,000, which all members will be obliged to pay. Add to this the increase in material costs and the dollar amount is significant, a cost that all of our members will pay.

### **SSVEC Reputation**

Since some Commissioners aren't familiar with cooperatives and SSVEC, and three of the ACC's members are new, we are concerned that the only impression that they are getting is from the small group of Sonoita people opposed to the line. These opponents

have overwhelmed the commission with hundreds of negative letters about all aspects of SSVEC.

In fact, Commissioner Kennedy at the last two hearings has chastised SSVEC for being such a poor company. Commissioner Newman has said even worse things about your cooperative and even referred to Cochise County residents as "rednecks". In fact, Commissioner Newman thought we were such a bad company that he ordered us to hold 3 town halls meetings and report back to him with the minutes of the meeting.

Needless to say this will also cost our members thousands of dollars (renting a place, overtime for some SSVEC participants, taking notes, transcribing them and then filing them with the commission). This is particularly upsetting, as most everyone thinks we have a good communications program and are open with our members. Our board meetings are published well in advance and members can speak, we hold 3 luncheons per year (Sierra Vista, Benson, and Willcox), at which we update what is happening at the cooperative and answer questions. We send out an annual report, include a newsletter in each monthly bill, publish 6 issues of Currents Magazine, and have a speakers bureau that arranges for presentations for various where we will talk to organizations and gatherings.

Although SSVEC is not perfect, the input that we receive from the vast majority of our members constantly is very positive. Our electric reliability is 99.9% (except for the Sonoita where it is significantly less because that line is so badly overloaded). We do listen to our members because they own us. Everything we do is to please our members. We are also very active in our community and donate and support many charities and community programs. In short, a few members who don't want the line built in their backyard have significantly tarnished your cooperatives reputation and we need to set the record straight with the commission.

#### **WE NEED YOUR HELP AND QUICKLY**

SSVEC urgently needs your help in two areas. We need to get the line built and to stop spending money on even more studies and legal fees. And we need you to tell the commissioners that SSVEC is a much better company than has been portrayed by people who oppose the power line. It is certainly their right as American citizens and as cooperative members to make their views known, and we don't quarrel with that. However, through the efforts of a few people an unfair picture has been painted and people need to know the truth – the whole truth.

So please, get on your computer, get on your typewriter, or get your pen and write the ACC a short note. It doesn't have to be more than a few sentences or paragraphs long.

Please also somewhere at the top of the letter indicate that you are writing in reference to the following cases by number. That will help assure that the commissioners read them and that your comments get filed with the correct case:

E-01575A-09-0453

E-01575A-08-0328

## KEY POINTS TO COVER IN THE LETTER

- SSVEC has done a good job of trying to find the best solution for the Sonoita line, a judgment confirmed by the ACC's own staff, the administrative law judge, and the third party study;
- SSVEC is a valued part of the community and a good cooperative that is responsive to the needs of members;
- That you have confidence in the employees, management, and directors of SSVEC to serve you as reliably and affordably as possible.
- That it is time to stop wasting money and get the line built as soon as possible.
- Give some examples of how SSVEC has been of value to you or someone you know.
- Why did Chairman Mayes in Sierra Vista and the Administrative Law Judge in her ruling both say the ACC didn't have jurisdiction but and then the ACC asserted jurisdiction anyway?
- Now that SSVEC, the ACC staff, as well as the independent third party study have all looked at the same evidence and drawn the same conclusion it is time to stop wasting SSVEC's money and my money and get started on building the line now.
- The negative statements made by opponents has distorted the view the commission has of SSVEC. SSVEC is a good cooperative, a good neighbor, and actively participates in helping our community. It donates to charitable causes.
- Give some examples of how SSVEC has helped you, a friend, or an organization.
- Mention SSVEC support for schools (20 scholarships a year, the Washington Youth Tour, and the Science Fair) which are paid from the SSVEC Foundation and not your rates.
- To the best of your knowledge and experience, SSVEC operates in an open and honest environment and listens to its members.

**It is preferred that you email all of the commissioners. Their email addresses are:**

Commissioner Paul Newman: [Newman-web@azcc.gov](mailto:Newman-web@azcc.gov)

Commissioner Gary Pierce: [Pierce-web@azcc.gov](mailto:Pierce-web@azcc.gov)

Chairman Kris Mayes: [Mayes-web@azcc.gov](mailto:Mayes-web@azcc.gov)

Commissioner Sandra Kennedy: [Kennedy-web@azcc.gov](mailto:Kennedy-web@azcc.gov)

Commissioner Bob Stump: [Stump-web@azcc.gov](mailto:Stump-web@azcc.gov)

Please ensure that you email all of them.

If you don't have email, then please send a letter or postcard to:

Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

Also, feel free to share this letter and have your friends and family write in as well. If you have more than one e mail address feel free to send it twice.

We have also included a petition for you to sign. If you could get just a few friends or relatives to sign it, and then return it to our office, we'll make sure it gets to the right place (along with petitions gathered by others). Even just two or three signatures will help!

