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BEFORE THE ARIZONA CORPORATION COMMISSION

ORIGINAL

CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
TONY WEST
Commissioner

DOCUMENT Arizona Corporation Commission
DOCKETED

JUN 11 1999

IN THE MATTER OF THE STRANDED
COST FILING AND REQUEST FOR A
WAIVER OF CERTAIN PORTIONS
OF THE RULES FILED BY DUNCAN
VALLEY ELECTRIC COOPERATIVE, INC.

DOCKETED BY
Docket No. E-01703A-98-0469

Duncan Valley Electric Cooperative, Inc. ("Duncan"), by and through its attorneys undersigned, in support of its Application states as follows:

1. Duncan is a non-profit, customer owned cooperative which supplies power at retail to its members in Greenlee County, Arizona and certain portions of western New Mexico.

2. This application is submitted pursuant to the Procedural Order dated April 21, 1999 to provide additional information on Duncan's stranded cost/unbundled tariff filings. Because this Application addresses legal issues, no testimony is necessary.

3. Duncan does not own generation facilities. It has an all-requirements agreement with Arizona Electric Power Cooperative, Inc. ("AEPCO") through the year 2020. Under this Agreement, Duncan is committed to purchase and AEPCO is obligated to supply all of the power and energy requirements of Duncan's customer owners.

4. In light of this agreement and as to generation related stranded costs, Duncan requests that the Commission authorize it to pass-through to its customer owners the Stranded Cost and regulatory asset recovery charges authorized for AEPCO.

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5. As to distribution related Stranded Costs, Duncan may incur such costs but it has no way of estimating those costs at this time prior to the introduction of retail competition. For example, Duncan has installed approximately \$290,000 in meters. Some portion of that investment may be stranded as certain customers shift to competitive metering, but Duncan cannot estimate the extent of those costs, if any, at this time.

6. Therefore, as to distribution related Stranded Costs, Duncan requests that the Commission waive the requirements of proposed Rule R14-2-1607 that Duncan seek approval for recovery of Stranded Costs prior to July 1, 1999 and instead authorize it to file an application if and when such costs arise. Absent such a waiver, Duncan will be deprived of its reasonable opportunity to recover such Stranded Costs and the remainder of its customer owners will be forced to bear Stranded Costs caused by customer owners electing competitive distribution related options.

7. As to unbundled rates, Duncan has just completed a rate case in which the Commission authorized both Standard Offer and unbundled rates for its system. (Docket No. E-01703A-98-0431; Decision No. 61721.) Therefore, no further filing is necessary.

8. Duncan, however, does request a waiver of the requirements of proposed Rule R14-2-1612.N pertaining to billing separate cost elements for Standard Offer customers.

9. In the just completed rate case, the Commission did not authorize Standard Offer rates for various classes based on separate cost elements such as generation, distribution, transmission and distribution related services. Rather, the Commission authorized "bundled" Standard Offer monthly service, kWh and KW charges, as applicable.

10. Therefore, the rates do not exist to accurately and separately bill as required by the proposed Rule in relation to Standard Offer rates. Further complicating this

1 issue is the fact that Duncan purchases "bundled" generation and transmission service from
2 AEPCO so separate cost data as to those services does not exist. Even if it could be obtained,
3 that data could then only be stated on a Duncan system average basis not related accurately to
4 the cost characteristics of any particular class or customer.
5

6 WHEREFORE, having fully stated its Application, Duncan requests that the
7 Commission enter its Order:

- 8 1. Authorizing it to pass through to its customer owners any Stranded Cost and
9 regulatory asset charges it approves for AEPCO;
- 10 2. Authorizing it to apply for recovery of distribution related Stranded Costs as
11 and when they arise; and
- 12 3. Waiving the requirements of proposed Rule R14-2-1612.N as to separate
13 billing elements for Standard Offer bills and authorizing billing consistent
14 with Decision No. 61721.
15

16 RESPECTFULLY SUBMITTED this 11th day of June, 1999.

17 GALLAGHER & KENNEDY, P.A.

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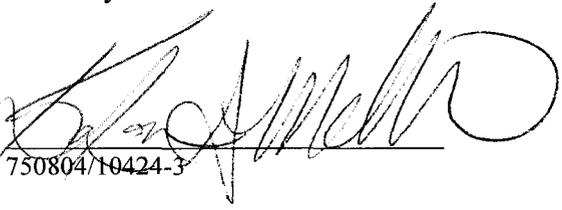
23 Original and ten (10) copies of the foregoing
24 document filed this 11th day of June, 1999, with:

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

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Copy of the Application
mailed this 17th day of
June, 1999 to:

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