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Attorney For
Sulphur Springs Valley Electric Cooperative, inc.

CHRISTOPHER HITCHCOCK
STATE BAR NO. 004523

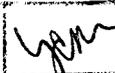
BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

CARL J. KUNASEK
Commissioner - Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

DOCKETED

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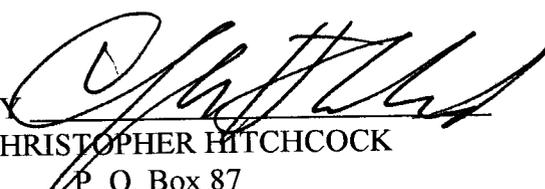
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IN THE MATTER OF THE STRANDED COST) DOCKET NO. E-01575A-98-0472
FILING AND REQUESTS FOR WAIVER OF)
SULPHUR SPRINGS VALLEY ELECTRIC)
COOPERATIVE, INC.)
IN THE MATTER OF THE FILING BY)
SULPHUR SPRINGS VALLEY ELECTRIC) DOCKET NO. E-01575A-97-0706
COOPERATIVE, INC., OF UNBUNDLED)
AND STANDARD OFFER SERVICE TARIFFS) NOTICE OF FILING TESTIMONY
PURSUANT TO A.A.C. R14-2-1606.)

Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") hereby files the rebuttal testimony of David Rumolo in the above captioned dockets.

RESPECTFULLY SUBMITTED this 25th day of August, 1999.

HITCHCOCK, HICKS & CONLOGUE

BY 
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ORIGINAL and ten (10) copies
of the foregoing Notice and Testimony
filed this 25th day of August, 1999, with:

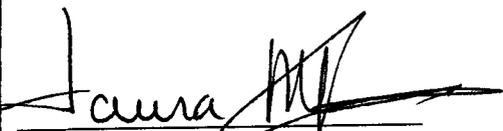
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Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing Notice mailed this
25th day of August, 1999, to:

Paul Bullis, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

All other parties listed in the docket


Laura M. Room, Assistant

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
Commissioner - Chairman

JIM IRVIN
Commissioner

WILLIAM A. MUNDELL
Commissioner

IN THE MATTER OF THE STRANDED COST)	DOCKET NO. E-01575A-98-0472
FILING AND REQUESTS FOR WAIVER OF)	
SULPHUR SPRINGS VALLEY ELECTRIC)	
<u>COOPERATIVE, INC.</u>)	
IN THE MATTER OF THE FILING BY)	
SULPHUR SPRINGS VALLEY ELECTRIC)	DOCKET NO. E-01575A-97-0706
COOPERATIVE, INC., OF UNBUNDLED)	
AND STANDARD OFFER SERVICE TARIFFS)	NOTICE OF FILING TESTIMONY
<u>PURSUANT TO A.A.C. R14-2-1606.</u>)	

Rebuttal Testimony of

David Rumolo

On Behalf of

Sulphur Springs Valley Electric Cooperative, Inc.

August 25, 1999

- 1 Q. Please state your name, position, and business address.
2
- 3 A. My name is David Rumolo. I am a Principal with Navigant Consulting, Inc. My
4 business address is 302 North First Avenue, Suite 810, Phoenix, Arizona 85003.
5 Navigant Consulting, Inc. is the new name of Resource Management International,
6 Inc.
7
- 8 Q. Would you please summarize your experience in cost of service analysis, rate design
9 and related issues?
10
- 11 A. I hold Bachelor of Science Degrees in Electrical Engineering and Business (Finance
12 as the area of emphasis) and have been involved in utility planning and financial
13 issues since 1974. I have been responsible for cost of service analyses, rate design,
14 and rate related analyses for rural electric cooperatives throughout the western
15 United States and have provided expert witness testimony on rate issues before
16 several regulatory bodies. I have performed rate and cost analyses for municipal
17 and investor owned utilities. I have also provided expert witness testimony on the
18 valuation of utility properties.
19
- 20 Q. Whom are you representing in this matter?
21
- 22 A. I am representing Sulphur Springs Valley Electric Cooperative Inc. (SSVEC).
23
- 24 Q. Do you provide consulting services to other distribution cooperatives, in addition to
25 SSVEC?
26
- 27 A. Yes, our firm represents Trico Electric Cooperative, Inc. (Trico), Mohave Electric
28 Cooperative, Inc. (MEC), and Navopache Electric Cooperative, Inc. Trico and MEC
29 are members of AEPCO.
30
- 31 Q. What is the purpose of your rebuttal testimony?
32
- 33 A. I will respond to several points made by Staff witness Elaine Saunders, primarily
34 with regard to unbundled rates as it applies to distribution cooperatives. I will also
35 address the issue of stranded cost recovery for AEPCO members. The Staff witness
36 addressed the issue of Stranded Cost Recovery for Navopache Electric Cooperative
37 which is not an AEPCO member but did not offer testimony regarding Stranded
38 Cost Recovery for AEPCO members.
39
- 40 A. Did the Staff Witness provide any SSVEC specific testimony?
41
- 42 Q. No, testimony was provided regarding Navopache, Trico Electric Cooperative, Inc.
43 and Mohave Electric Cooperative, Inc. However, SSVEC's filings were substantially
44 similar to the filings submitted by Trico and MEC. We have assumed that SSVEC
45 was not included due to an oversight. Therefore, this testimony has been prepared
46 under the assumption that comments made by the Staff Witness would be
47 applicable to SSVEC.
48

1 Q. Did Staff make a recommendation regarding the distribution cooperatives'
2 distribution related stranded cost?
3

4 A. Yes, Staff recommended that a distribution cooperative may request "reasonable
5 costs of operation in the context of a distribution rate case".
6

7 Q. Do you see any difficulties with the Staff recommendations
8

9 A. Yes, first, it is uncertain whether "reasonable cost of operation" is the same as
10 stranded costs under the Rules. Second, the Rules provide a mechanism for
11 recovery of stranded costs. A distribution cooperative should not have to bear the
12 expense and endure the time delay of a rate case to recover distribution related
13 stranded costs. The Rules define stranded costs as including other transition and
14 restructuring costs as approved by the ACC as part of the determination of an
15 Affected Utility's stranded cost. Therefore, distribution cooperatives have the
16 opportunity to request recovery of such costs outside a rate case and need not wait
17 until a rate case to receive authorization for recovery of transition costs. The Staff's
18 position conflicts with the Rules and SSVEC wishes to reserve the right to apply the
19 Rules if it identifies significant transition and restructuring costs. These costs may
20 include investments in new billing systems and metering equipment.
21

22
23 Q. Did SSVEC, Trico, and MEC file implementation plans for Stranded Cost Recovery?
24

25 A. Each cooperative filed a waiver request regarding Stranded Cost Recovery. The
26 AEPCO members cannot file a final plan until the Arizona Corporation Commission
27 (ACC) issues a final order regarding AEPCO's Stranded Cost Recovery. When such
28 an order is issued, each cooperative will file a compliance filing that will reflect the
29 AEPCO plan. Each cooperative may also, in the future, file plans for recovery of
30 distribution system stranded costs, if any. Since Staff witnesses did not address the
31 waiver requests, we have assumed that Staff supports the requested waivers.
32

33 Q. Did Staff make any recommendations regarding SSVEC's unbundled rates?
34

35 A. Yes. Staff recommended that SSVEC unbundle its standard offer rates to the
36 greatest extent possible and that SSVEC be allowed to amend its unbundled rates if
37 the Commission allows Arizona Public Service Company to use an avoided cost
38 approach to designing unbundled rates. To the extent that other generation
39 components remain bundled, Staff proposes that SSVEC inform customers of the
40 bundled purchases through a footnote or other means.
41

42 Q. What actions has the ACC taken in the past regarding SSVEC's Standard Offer rates
43 and Unbundled Rates.
44

45 A. In December, 1998, in Decision Number 61306, the ACC approved SSVEC's request
46 that the existing bundled tariff be adopted as SSVEC's Standard Offer tariff. The
47 ACC had also approved SSVEC's unbundled distribution services tariff. These
48 decisions were approved based on the then current Competition Rules.

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Q. What is SSVEC's response to Staff's proposal regarding unbundled standard offer rates?

A. As noted in our waiver request, SSVEC purchases resources from AEPCO on a bundled basis and could only unbundle our tariff to the degree that we have the data available. Therefore, we propose that our existing bundled tariff continue as our Standard Offer tariff in accordance with the decision issued by the ACC. In the future, should our power supplies be obtained on an unbundled basis, we will unbundle our retail rates. In the interim, we will provide customers information regarding the average cost of bundled components to the degree possible as suggested by the Staff witness. Our existing bundled tariff, includes power supply costs that reflect current bundled embedded costs as adjusted through a purchased power adjustment mechanism. Actual bundled purchased power costs per kWh vary from month to month. Therefore, we need to maintain our existing structure. However, in compliance with future decisions issued by the ACC, SSVEC will modify its existing filed tariffs. These modifications will include a rate schedule that indicates the CTC approved by the ACC for SSVEC. We may also prepare filings to adopt rate forms, such as the avoided cost methodology, that may be adopted by the ACC for other utilities.

Q. Does this conclude your rebuttal testimony?

A. Yes.