

HITCHCOCK, HICKS & CONLOGUE

ATTORNEYS AT LAW  
POST OFFICE BOX 87  
COPPER QUEEN PLAZA  
BISBEE, ARIZONA 85603-0087  
TELEPHONE (520) 432-2279



0000117900

RECEIVED  
AZ CORP COMMISSION

JUN 14 2 00 PM '99

DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

JUN 14 1999

DOCKETED BY *[Signature]*

ORIGINAL

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Attorney For

Sulphur Springs Valley Electric Cooperative, Inc.

**CHRISTOPHER HITCHCOCK**  
**STATE BAR NO. 004523**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

CARL J. KUNASEK  
Commissioner - Chairman  
JIM IRVIN  
Commissioner  
TONY WEST  
Commissioner

IN THE MATTER OF THE STRANDED COST ) DOCKET NO. E-01575A-98-0472  
FILING AND REQUEST FOR A WAIVER OF )  
CERTAIN PORTIONS OF THE RULES FILED )  
BY SULPHUR SPRINGS VALLEY ELECTRIC )  
COOPERATIVE, IN C. )

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 ) SULPHUR SPRINGS VALLEY  
PURSUANT TO A.A.C. R14-2-160 ) ELECTRIC COOPERATIVE, INC.  
) SUPPLEMENTAL FILING AS TO  
) STRANDED COSTS WAIVER AND  
) UNBUNDLED AND STANDARD  
) OFFER SERVICE TARIFFS

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("SSVEC"), by and  
through their undersigned attorney, in support of its Application, states as follows:

STRANDED COSTS:

1. SSVEC is an Arizona electric cooperative non-profit membership corporation , which supplies power at retail to its members in Cochise, Pima, Graham, and Santa Cruz counties, Arizona.
2. SSVEC does not own generation facilities. It has an all-requirements agreement with Arizona Electric Power Cooperative, Inc. ("AEPSCO") through the year 2020. Under this Agreement, SSVEC is committed to purchase and AEPSCO is obligated

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

to supply all of the power and energy requirements of SSVEC's customer/owners.

3. In light of this agreement and as to generation related stranded costs, SSVEC requests that the Commission authorize it to pass-through to its customer/owners the Stranded Cost and regulatory asset recovery charges authorized for AEPCO.
4. In addition to AEPCO stranded costs, SSVEC may incur stranded costs relative to its distribution assets. The stranded distribution assets may include metering and billing systems. Until such time as the competition rules become effective and a robust competitive market is established, SSVEC cannot assess the degree to which distribution assets may become stranded. Additionally, to the extent SSVEC has regulatory assets which have not yet been recovered, such as those identified in ACC Order No. 58358, some portion of these may be stranded as a result of competition.
5. Therefore, as to distribution related Stranded Costs, SSVEC requests that the Commission waive the requirements of proposed Rule R14-2-1607 that it 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 arrive. Absent such a waiver, SSVEC 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.

UNBUNDLED COMPETITIVE SERVICE TARIFFS:

6. SSVEC had its initial unbundled tariffs approved by this Commission in Order No. 61306. Since SSVEC's unbundled rates were approved, the ACC has issued several decisions regarding pricing unbundled services. In approving the PG&E Energy Services CC&N application as an ESP, a tariff was approved that had very high charges that were downwardly flexible. There was no cost justification for the charges. This approved approach was contrary to the position that the Staff advocated for the distribution cooperatives such as SSVEC for its unbundled tariffs. Per the Staff position, SSVEC's competitive services were priced to not exceed existing rate components. The method approved by the Commission in the PG&E Energy Services case is radically different than the method that the Staff espoused for the distribution cooperatives.
7. The recent Arizona Public Service Company settlement filing dated May 17, 1999 proposed a "shopping credit" approach to unbundled services. The residential tariff includes a \$10.00 a month basic delivery charge (current residential monthly

HITCHCOCK, HICKS & CONLOGUE

ATTORNEYS AT LAW

POST OFFICE BOX 87

COPPER QUEEN PLAZA

BISBEE, ARIZONA 85603-0087

TELEPHONE (520) 432-2279

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

charges are \$7.50, \$10.00 or \$15.00 depending on the rate option). The proposed rate provides for credits against the \$10.00 monthly charge for services that are purchased on the open market. It appears that the credits are based on the marginal costs of providing the services and reflects the potential cost savings that APS will experience should a customer elect to purchase competitive services elsewhere. The California Public Utilities Commission adopted a similar approach and the regulated utilities filed net avoided cost analysis that determined the savings the incumbent utility would experience if customer purchased services elsewhere.

- 8. SSVEC has reviewed the APS approach and believes that it merits consideration. The approach prevents cost shifting to customers who elect to remain with Standard Offer Service. This method will also tend to mitigate distribution related stranded costs and competition transition costs. At this time, SSVEC is performing analysis of its net avoided cost and will consider that approach for a future filing.
- 9. SSVEC is also considering filing a rate case later this year. At the time of the filing of the next rate case, SSVEC will have had the opportunity to review and consider Commission decisions regarding rate design for competitive and distribution services for the largest energy providers in Arizona. SSVEC can reflect the Commission's consideration in those cases in proposed rates.
- 10. Since SSVEC has an approved unbundled services tariff on file with the Commission, SSVEC is proposing no changes or modifications at this time. However, our current tariff may be amended in a future filing depending on the Commission approval of the approach proposed by APS. SSVEC requests that the Commission waive the requirement that SSVEC file or amend its unbundled services charge until after the Commission has issued an opinion and order in the APS settlement docket.

STRANDED OFFER TARIFFS:

- 11. In Order No. 61306, the Commission also approved SSVEC's current tariffs as its Standard Offer tariffs. However, SSVEC is requesting a waiver of the requirement to file unbundled Standard Offer rates and wishes to continue use of the existing bundled tariff for customers. This waiver request is based on the following facts:
  - A. The Commission's rules require unbundling of several services including generation, must run generation, ancillary and transmission services.
  - B. As an all-requirements member of AEPSCO, SSVEC purchases all

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

generation services and bulk transmission services based on a bundled rate.

- C. Until such time that AEPCO unbundles these services and SSVEC performs analysis that allocates the unbundled services for each customer class, SSVEC does not have the ability to provide the required date in an unbundled format.
- D. The APS settlement filing contemplates the use of existing bundled service tariffs for Standard offer Service. The Commission should adopt a uniform policy.

12. SSVEC additionally requests a waiver of the requirements of proposed Rules R14-2-1606.C.2 and R14-2-1612.N pertaining to billing separate cost elements for Standard Offer customers.

WHEREFORE, SSVEC requests that the Commission enter its Order:

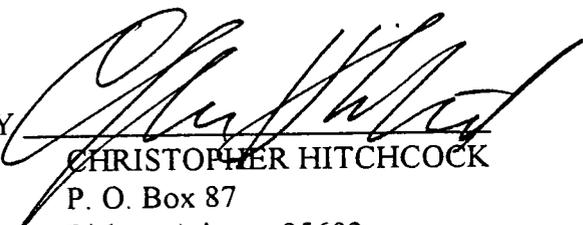
- 1. Waiving the requirements of Rules R14-2-1606.C.2 and -1612.N pertaining to separate billing elements for Standard Offer bills, waiving R14-2-1606.D requiring SSVEC to file Unbundled Service tariffs with respect to its Non-competitive Services tariff and waiving R14-2-1607.D requiring SSVEC to request Commission approval by July 1, 1999, of distribution charges or other means of unmitigated Stranded Costs;
- 2. Authorizing SSVEC to pass through to its customers any Stranded Cost and Regulatory Asset Charges the Commission approves for AEPCO;
- 3. Authorizing SSVEC to apply for recovery of distribution-related Stranded Costs as and when they arise;
- 4. Authorizing SSVEC to amend its Unbundled Rate filing in the event circumstances arise in the future which warrant such amendment.

**HITCHCOCK, HICKS & CONLOGUE**  
 ATTORNEYS AT LAW  
 POST OFFICE BOX 87  
 COPPER QUEEN PLAZA  
 BISBEE, ARIZONA 85603-0087  
 TELEPHONE (520) 432-2279

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

RESPECTFULLY SUBMITTED this 11th day of June, 1999.

HITCHCOCK, HICKS & CONLOGUE

BY   
CHRISTOPHER HITCHCOCK  
P. O. Box 87  
Bisbee, Arizona 85603  
(520) 432-2279

ORIGINAL and ten (10) copies  
of the foregoing filed this  
11th day of June, 1999, with:

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

Copy of the foregoing mailed this  
11th day of June, 1999, to:

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

All parties listed on this docket.

  
Laura M. Room

HITCHCOCK, HICKS & CONLOGUE  
ATTORNEYS AT LAW  
POST OFFICE BOX 87  
COPPER QUEEN PLAZA  
BISBEE, ARIZONA 85603-0087  
TELEPHONE (520) 432-2279