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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

Arizona Corporation Commission

DOCKETED

OCT 21 2010

DOCKETED BY 

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

Docket No. E-01773A-09-0472

NOTICE OF STIPULATION

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

Notice is given that the Parties have reached a Stipulation as to issues in this case and will offer testimony in support of the Stipulation at the hearing on this matter on October 25, 2010. A copy of the Stipulation is attached to this notice, together with copies of Exhibits GEP-4 and GEP-5 which are referred to in paragraphs 1 and 2.

RESPECTFULLY SUBMITTED this 21st day of October, 2010.

GALLAGHER & KENNEDY, P.A.

By 
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Cooperative, Inc.

ARIZONA CORPORATION COMMISSION
GENERAL COUNSEL

2010 OCT 21 P 1:33

RECEIVED

1 **Original and 13 copies** filed
this 21st day of October, 2010, with:

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

5 **Copies** of the foregoing delivered
this 21st day of October, 2010, to:

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Phoenix, Arizona 85007

15
16 **Copies** of the foregoing mailed and emailed
this 21st day of October, 2010, to:

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Stipulation Among the Parties to the Arizona Electric Power Cooperative, Inc. Rate Case
Docket No. E-01773A-09-0472 ("AEPCO Rate Case")

The Arizona Electric Power Cooperative, Inc. ("AEPCO"), the Utilities Division Staff ("Staff") of the Arizona Corporation Commission ("Commission") and the AEPCO Member Intervenor consisting of Mohave Electric Cooperative, Inc. ("MEC"), Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") and Trico Electric Cooperative, Inc. ("Trico") (collectively, the "Member Intervenor") stipulate and agree that they will jointly recommend the following to the Administrative Law Judge and the Commission to resolve these issues in the currently pending AEPCO Rate Case.

1. Revenue Requirements. With reference to Column 5 of Exhibit GEP-4 (Pierson Rejoinder Testimony), the Parties recommend that the Commission approve Operating Revenues of \$177,590,362 based upon a Debt Service Coverage Ratio of 1.32, which is a revenue decrease of \$1,172,317 over revenues in the test year at present rates. Those revenues produce \$14,770,063 in electric operating margins for a 6.97% return on the Fair Value Rate base of \$211,802,594, which the Parties agree is a just and reasonable return.

2. Recommended Rates. As set forth in Column 6 of Exhibit GEP-5 (Pierson Rejoinder Testimony), the Parties recommend that the Commission approve the rates and the Purchased Power Fuel Adjustor Clause ("PPFAC") bases stated in that column. In that regard, AEPCO will present testimony at hearing that those rates and PPFAC bases are consistent with the provisions and requirements of the Contract and Contract Amendments which were filed for Commission approval in this Docket by AEPCO and the Member Intervenor on June 2, 2010.

3. Contract and Contract Amendment Approvals. Subject to the prior approval of the Rural Utilities Service ("RUS"), the Parties recommend that the Commission approve the Contract and the Contract Amendments which were filed in this Docket on June 2, 2010, i.e., the Partial-Requirements Capacity and Energy Agreement between AEPCO and Trico; the Third Amendment to the MEC Partial; the First Amendment to the SSVEC Partial; the Ninth Amendment to the Wholesale Power Contract between AEPCO and Duncan Valley Electric Cooperative, Inc.; and the Seventh Amendment to the Wholesale Power Contract between AEPCO and GCEC. AEPCO will promptly file in this Docket notice of RUS approval of the Contract and Contract Amendments once received.

4. Rates Effective Date. Following receipt of RUS approval of the Contract and Contract Amendments, the Parties recommend the Rates take effect on the first day of the month following the effective date of Commission approval of the final rate decision.

5. PPFAC Issues. The Parties recommend that the Commission approve the temporary surcharge mechanism to close out existing clause balances as described at page 11 of AEPCO witness Pierson's rejoinder testimony. Further, the Parties recommend that the Commission continue in effect the "efficacy" provision in relation to the PPFAC as described at page 12 of Mr. Pierson's rejoinder testimony.

6. Action Plan. The Parties agree that AEPCO should file an action plan on Liberty Consulting's recommendations by February 1, 2011 with the reporting and confidentiality provisions set forth at pages 2-4 of Mr. Pierson's rejoinder testimony.

7. Procedural Recommendations. The Parties stipulate that all testimonies filed by the Parties in this matter may be received into evidence without objection and the Parties agree to waive cross-examination of the witnesses in relation to their filed testimonies. At the October 25, 2010 hearing on the AEPCO Rate Case, AEPCO and the Staff will provide a witness in support of this stipulation and to answer any questions in relation to it.

Arizona Electric Power Cooperative, Inc.
Comparison of Increase in Gross Revenue Requirement
Test Year Ended March 31, 2009

Line No.	Description	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Company As Amended Position	Staff Direct Position	Company Rebuttal Position	Staff Surrebuttal Position	Company Rejoinder Position
1	Summary of Revenue Increase Proposed:					
2	Proposed Revenue Increase	\$ (96,754)	\$ 231,014	\$ (1,172,317)	\$ 231,014	\$ (1,172,317)
3	Revenues in Test Year - Present Rates	\$ 166,618,639	\$ 166,618,639	\$ 166,618,639	\$ 166,618,639	\$ 166,618,639
3	Revenue Increase Percentage	-0.06%	0.14% (1)	-0.70%	0.14%	-0.70%
4						
5	Pro Forma Statement of Operations					
6	with Proposed Rates:					
7	Operating Revenues	\$ 178,665,925	\$ 178,993,693	\$ 177,590,362	\$ 178,993,693	\$ 177,590,362
8	Operating Expense	164,623,661	162,820,299	162,820,299	162,820,299	162,820,299
9	Electric Operating Margins	14,042,264	16,173,394	14,770,063	16,173,394	14,770,063
10	Interest & Other Deductions	11,917,826	11,822,642	11,822,642	11,822,642	11,822,642
11	Operating Margins	2,124,438	4,350,752	2,947,421	4,350,752	2,947,421
12	Non-Operating Margins	1,112,155	1,112,155	1,112,155	1,112,155	1,112,155
13	Net Patronage Capital or Margins	\$ 3,236,593	\$ 5,462,907	\$ 4,059,576	\$ 5,462,907	\$ 4,059,576
14						
15	Times Interest Earned Ratio:					
16	Net Patronage Capital or Margins	\$ 3,236,593	\$ 5,462,907	\$ 4,059,576	\$ 5,462,907	\$ 4,059,576
17	Interest on Long Term Debt	10,812,194	10,812,194	10,812,194	10,812,194	10,812,194
18	Total	\$ 14,048,787	\$ 16,275,101	\$ 14,871,770	\$ 16,275,101	\$ 14,871,770
19	Times Interest Earned Ratio	1.299	1.505	1.375	1.505	1.375
20						
21	Debt Service Coverage Ratio:					
22	Net Patronage Capital or Margins	\$ 3,236,593	\$ 5,462,907	\$ 4,059,576	\$ 5,462,907	\$ 4,059,576
23	Depreciation & Amortization	8,348,168	8,317,632	8,317,632	8,317,632	8,317,632
24	Interest on Long Term Debt	10,812,194	10,812,194	10,812,194	10,812,194	10,812,194
25	Total	\$ 22,396,955	\$ 24,592,733	\$ 23,189,402	\$ 24,592,733	\$ 23,189,402
26						
27	Interest on Long Term Debt	\$ 10,812,194	\$ 10,812,194	\$ 10,812,194	\$ 10,812,194	\$ 10,812,194
28	Principal Payments	6,754,044	6,754,044	6,754,044	6,754,044	6,754,044
29	Debt Service	\$ 17,566,238	\$ 17,566,238	\$ 17,566,238	\$ 17,566,238	\$ 17,566,238
30	Debt Service Coverage Ratio	1.275	1.400	1.320	1.400	1.320
31						
32	Return on Fair Value Rate Base:					
33	Electric Operating Margins	\$ 14,042,264	\$ 16,173,394 (1)	\$ 14,770,063	\$ 16,173,394	\$ 14,770,063
34	Rate Base	\$ 231,844,975	\$ 211,802,594	\$ 211,802,594	\$ 211,802,594	\$ 211,802,594
35	Return on Fair Value Rate Base	6.06%	7.64% (1)	6.97%	7.64%	6.97%

(1) Per Direct Testimony of Dennis M. Kalbarczyk.

Arizona Electric Power Cooperative, Inc.
Comparison of Proposed Rates & PPFAC Bases
 Test Year Ended March 31, 2009

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
Description	Company Current Rates	Company As Amended Position Supplemental (2)	Staff Direct Position (3)	Company Rebuttal Position	Staff Surrebuttal Position	Company Rejoinder Position
Collective All-Requirements Members: (1)						
Demand Rate \$/kW	\$ 14.98	N/A	N/A	N/A	N/A	N/A
Fixed Charge - \$/mo.	\$	232,978	\$ 931,105	\$ 238,793	\$ 251,168	\$ 238,793
O&M Charge - \$/mo.	\$	436,144	\$ 1,178,484	\$ 414,019	\$ 414,019	\$ 414,019
Energy Rates:						
Current Energy Rate \$/kWh	\$ 0.02073					
Base Resources \$/kWh	\$	0.03157	\$ 0.03234	\$ 0.03156	\$ 0.03156	\$ 0.03156
Other Resources \$/kWh	\$	0.06069	\$ 0.06746	\$ 0.06170	\$ 0.06170	\$ 0.06170
PPFAC Bases: (4)						
Current \$/kWh	\$ 0.01687					
Base Resources \$/kWh	\$	0.03377		\$ 0.03361		\$ 0.03361
Other Resources \$/kWh	\$	0.07634		\$ 0.07941		\$ 0.07941
Partial-Requirements Members:						
Mohave Electric Cooperative						
Fixed Charge - \$/mo.	\$ 855,113	\$ 709,721	\$ 764,975	\$ 727,283	\$ 764,976	\$ 727,283
O&M Charge - \$/mo. (Present \$/kW)	\$ 7.26	\$ 1,323,724	\$ 1,274,882	\$ 1,274,882	\$ 1,274,882	\$ 1,274,882
Energy Rates:						
Current Energy Rate \$/kWh	\$ 0.02073					
Base Resources \$/kWh	\$	0.03216	\$ 0.03215	\$ 0.03215	\$ 0.03215	\$ 0.03215
Other Resources \$/kWh	\$	0.06879	\$ 0.06879	\$ 0.06879	\$ 0.06879	\$ 0.06879
PPFAC Bases: (4)						
Current \$/kWh	\$ 0.01603					
Base Resources \$/kWh	\$	0.03331		\$ 0.03330		\$ 0.03330
Other Resources \$/kWh	\$	0.07504		\$ 0.06971		\$ 0.06971
Sulphur Springs Valley						
Fixed Charge - \$/mo.	\$ 757,429	\$ 628,440	\$ 677,366	\$ 643,991	\$ 677,366	\$ 643,991
O&M Charge - \$/mo. (Present \$/kW)	\$ 7.26	\$ 1,172,125	\$ 1,128,876	\$ 1,128,876	\$ 1,128,876	\$ 1,128,876
Energy Rates:						
Current Energy Rate \$/kWh	\$ 0.02073					
Base Resources \$/kWh	\$	0.03230	\$ 0.03229	\$ 0.03229	\$ 0.03229	\$ 0.03229
Other Resources \$/kWh	\$	0.06676	\$ 0.06676	\$ 0.06676	\$ 0.06676	\$ 0.06676
PPFAC Bases: (4)						
Current \$/kWh	\$ 0.01603					
Base Resources \$/kWh	\$	0.03338		\$ 0.03337		\$ 0.03337
Other Resources \$/kWh	\$	0.07775		\$ 0.07241		\$ 0.07241
Trico Electric Cooperative						
Demand Rate per kW	\$ 14.98	N/A	N/A	N/A	N/A	N/A
Fixed Charge - \$/mo.	\$	629,365	N/A	\$ 646,435	\$ 679,937	\$ 646,435
O&M Charge - \$/mo. (Present \$/kW)	\$	793,509	N/A	\$ 764,465	\$ 764,465	\$ 764,465
Energy Rates:						
Current Energy Rate \$/kWh	\$ 0.02073					
Base Resources \$/kWh	\$	0.03234	N/A	\$ 0.03238	\$ 0.03238	\$ 0.03238
Other Resources \$/kWh	\$	0.06612	N/A	\$ 0.06604	\$ 0.06604	\$ 0.06604
PPFAC Bases: (4)						
Current \$/kWh	\$ 0.01687					
Base Resources \$/kWh	\$	0.03331		\$ 0.03336		\$ 0.03336
Other Resources \$/kWh	\$	0.07634		\$ 0.09084		\$ 0.09084

- 1) The Fixed Charge and the O&M Charge will be apportioned among the CARMs and allocated to each CARM based upon each CARM's monthly Demand Ratio Share. The Demand Ratio Share will be calculated each month as the percentage of each CARM's 12-month rolling average demand to the total of the CARMs' 12-month rolling average demand.
- 2) Amended Filing initially included Trico as part of the CARMs. The Company subsequently filed rates that treated Trico as a PRM pursuant to a contract submitted for ACC approval.
- 3) Staff witness Kalbarczyk did not develop rates for Trico as a PRM in his direct testimony.
- 4) Staff witness Kalbarczyk did not take issue with the Company's derivation of the PPFAC bases.