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**Sulphur Springs Valley
Electric Cooperative, Inc.**

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AZ CORP COMMISSION
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January 6, 2011

Arizona Corporation Commission
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JAN -6 2011

HAND DELIVERED

Steve Olea, Director of Utilities
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY

**Re: Request for Approval of Financing Application for Sulphur Springs Valley
Electric Cooperative, Inc. ("SSVEC" or "Cooperative")
Docket No. E-01575A-10-0311**

Dear Mr. Olea:

On July 23, 2010, SSVEC filed with the Arizona Corporation Commission ("Commission") an application for approval of a financing application in the amount of \$78,676,664 to finance the Cooperative's 2010-2012 Construction Work Plan and for related approvals ("Application"). The Application requested approval as soon as possible, but in no event later than December 31, 2010. This request for expedited approval was made because the Cooperative (i) received a Smart Grid grant from the federal government as part of the American Recovery and Reinvestment Act ("ARRA") and will apply \$14,659,496 of the grant to Smart Grid projects that must be completed by May 2013; (ii) received approval from the U.S. Treasury for \$6 million of Clean Energy Renewable Bonds ("CREB") to construct a 750 kW solar project¹ in Sonoita, Arizona;² (iii) would also like to take advantage of current market conditions by incurring this debt at a time when interest rates are low and lenders are offering more favorable terms and conditions than in recent years. Since the filing of the Application last July, SSVEC has responded to both formal and informal data requests propounded by Staff.³

During the fall of 2010, SSVEC learned that it had an opportunity to refinance much of its existing debt at more favorable terms and conditions which would benefit the Cooperative and its member-ratepayers. SSVEC contacted Staff to inquire as to whether the Cooperative should amend its existing Application or file a separate refinancing application as SSVEC was concerned that amending the Application would delay the approval of the Application. Staff indicated that the filing of an amendment to include the refinancing should not significantly

¹ Since the filing of the Application, SSVEC has determined that the solar project will be between 750 kW and 1 MW.

² The Application indicated that the project must be completed no later than October 2012. Since the filing of the Application, the Cooperative has learned that the completion requirements have changed. SSVEC must commence construction of the project by October 2012 and complete construction within three (3) years thereafter.

³ Formal data requests were issued on August 5, 2010, and November 23, 2010.

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delay the approval of the Application and that it was unlikely that Staff would be issuing a recommendation before the end of the year regardless of the amendment. Accordingly, on December 15, 2010, SSVEC filed an amendment to the Application to include a refinancing component of up to \$126,282,240 of existing debt.

SSVEC is concerned that further delay of the approval of the Application may result in the loss of \$14,659,496 of ARRA grants related to the construction work plan given the required May 2013 completion date for the Smart Grid projects. Moreover, further delay may result in the Cooperative's inability to take advantage of favorable market conditions, including lower interest rates, that is currently available for the financing and refinancing. The Cooperative understands that the Commission is currently resource-constrained as a result of budget cuts. However, the Application has been on file for almost six (6) months, and the refinancing amendment will only result in a lowering of interest rates and/or costs for existing Commission-approved debt that can only benefit the Cooperative and its member-ratepayers.⁴ Accordingly, the Cooperative respectfully requests that Staff expeditiously complete its review of the Application as amended so that the Commission may consider the matter no later than its March 1, 2011, Open Meeting.

As this letter includes updated information regarding the Application, please also consider this letter as a supplement to the Application. If you have any questions, please do not hesitate to contact me or SSVEC's Chief Financial Officer, Kirby Chapman. Thank you for your consideration and assistance.

Sincerely,



Creden W. Huber
Chief Executive Officer

CWH

cc: Wesley C. Van Cleve, Legal Division
Jane Rodda, Hearing Division
Gordon Fox, Utilities Division
Docket Control (13 copies)
Bradley S. Carroll, Snell & Wilmer

⁴ SSVEC published public notice of the Application on September 1, 2010, and no requests for intervention were filed. Additionally, SSVEC is in the process of republishing public notice of the Application to include the refinancing.