

ORIGINAL

OPEN MEETING
MEMORANDUM



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Arizona Corporation Commission

DOCKETED

TO: THE COMMISSION

2011 FEB 15 P 2: 29

FEB 16 2011

FROM: Utilities Division

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DOCKETED BY [Signature]

DATE: February 15, 2011

RE: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. FOR APPROVAL TO INCUR DEBT TO FINANCE ITS 2010-2012 CONSTRUCTION WORK PLAN AND FOR RELATED APPROVALS (DOCKET NO. E-01575A-10-0311)

Introduction

On July 23, 2010, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative"), an Arizona class "A" public service corporation and non-profit cooperative with its business office in Willcox, Arizona, filed an application with the Arizona Corporation Commission ("Commission") for authorization to incur debt to finance its 2010-2012 Construction Work Plan ("CWP"). On December 15, 2010, the Cooperative filed an amendment to its original application requesting authorization to refinance some of its existing debt at more favorable rates.

Background

SSVEC is an Arizona non-profit, member-owned cooperative located in Willcox, Arizona. The Cooperative provides electric distribution service to approximately 51,000 customers in parts of Cochise, Santa Cruz, Pima and Graham Counties.

The Cooperative's current rates were approved in Decision No. 71274, dated September 8, 2009.

The Cooperative asks that the Commission authorize SSVEC to assume new debt in an amount not to exceed \$78,676,664 through a credit facility from the National Rural Utilities Cooperative Finance Corporation ("CFC") and/or CoBank, ACB ("CoBank") and to pledge, mortgage, lien and/or encumber its assets in connection with the credit facility. The facility will be managed in such a way in which SSVEC will draw funds periodically from either CFC or CoBank, depending on which lender is offering better terms. However, regardless of which lender the Cooperative chooses at each borrowing interval, the total credit facility will be reduced by each lender by the amount borrowed.

The purpose of \$72,676,664 of the proposed financing is to fund the upgrade and/or replacement of existing utility infrastructure and construction of supplemental facilities pursuant to SSVEC's CWP. The remaining \$6,000,000 of the proposed financing is to fund construction

of a new 750 kW solar facility planned for Sonoita, Arizona, via a CoBank loan utilizing Clean Renewable Energy Bonds ("CREBs"). The interest rate on the CREBs loan will not exceed 1 percent per annum.

SSVEC has also requested authorization to refinance its existing debt at a time of its choosing without having to file an application with the Commission requesting authorization to do so. According to its application, SSVEC anticipates that it may have opportunities over the next several years to refinance much of its existing debt at more favorable interest rates and under more favorable terms and conditions to save the Cooperative and its ratepayer-members considerable money.

On October 1, 2010, the Cooperative filed an affidavit of publication verifying public notice of its financing application. The Cooperative published notice of its financing application in *The Weekly Bulletin* on September 1, 2010, in the *Sierra Vista Herald/Bisbee Daily Review* on September 1, 2010, and in the *San Pedro Valley News-Sun* and the *Arizona Range News* on September 1, 2010. SSVEC published a second notice in each of those publications on January 12, 2011, pertaining to the refinancing of its existing debt pursuant to the Cooperative's amended application. The affidavits of publication are attached along with a copy of the Notice.

There are no outstanding compliance issues with the Cooperative.

Staff's Analysis

Engineering Analysis

Staff's Engineering Report is attached. Staff reviewed the Cooperative's proposed capital improvements and found the projects appropriate and the related cost estimates reasonable. Staff's conclusions should not be interpreted to imply a specific treatment for rate base or rate-making purposes in the Cooperative's future rate filings.

Financial Analysis

Staff's analysis is illustrated on Schedule JCM-1. Column [A] reflects the Cooperative's historical financial information for the year ended December 31, 2009. Column [B] presents pro forma financial information that modifies Column [A] to reflect SSVEC's most recently authorized operating income,¹ issuance of the proposed \$72.7 million financing amortized over 35 years at 7.5 percent per annum, issuance of the proposed \$6 million CREB financing amortized for 15 years at 1.0 percent per annum, the issuance of a previously undrawn loan in the amount of \$4,864,000² as well as \$25.5 million in undrawn funds from a loan previously authorized in Decision No. 70027 amortized over 30 years at 7.5 percent per annum.

¹ Commission Decision No. 71274 dated September 8, 2009.

² Commission Decision No. 67223 dated September 4, 2004. The final draw was made by the Cooperative in November 2010.

Times interest earned ratio ("TIER") and Debt service coverage ratio ("DSC")

Times interest earned ratio ("TIER") represents the number of times earnings cover interest expense on short-term and long-term debt. A TIER greater than 1.0 means that operating income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long term but does not mean that debt obligations cannot be met in the short term.

Debt service coverage ratio ("DSC") represents the number of times internally generated cash will cover required principal and interest payments on short-term and long-term debt. A DSC greater than 1.0 indicates that operating cash flow is sufficient to cover debt obligations. A DSC less than 1.0 means that debt service obligations cannot be met by cash generated from operations and that another source of funds is needed to avoid default.

Schedule JCM-1, Column [A] shows that for the year ended December 31, 2009, SSVEC had a 1.05 TIER and a 1.39 DSC. The pro forma TIER and DSC for SSVEC under the scenario described above for Column [B] are 1.07 and 1.17, respectively. The DSC results show that cash flow from operations is sufficient to cover all obligations.³

Capital Structure

At December 31, 2009, the Cooperative's capital structure consisted of 2.1 percent short-term debt, 65.8 percent long-term debt, and 32.1 percent equity (Schedule JCM-1, Column [A], lines 16-22). Staff calculated a pro forma capital structure reflecting the scenario anticipated in Column [B] described above. That capital structure is composed of 1.7 percent short-term debt, 77.3 percent long-term debt and 21.0 percent equity (Schedule JCM-1, Column [B], lines 16-22).

Staff Conclusions and Recommendations

Staff concludes that the Cooperative's proposed capital projects are appropriate and that the related cost estimates are reasonable. Staff makes no "used and useful" determination of the proposed improvements nor any conclusions for rate base or ratemaking purposes.

Staff further concludes that issuance of the proposed debt financing for the purposes stated in the application is within SSVEC's corporate powers, is compatible with the public interest, is consistent with sound financial practices and will not impair its ability to provide services.

Staff recommends that the Commission authorize SSVEC's request to obtain a credit facility from both CFC and CoBank in an amount not to exceed \$78,676,664, including

³ The loan covenants state that the Cooperative must maintain a 1.35 DSC, however, under CFC and CoBank's methodology SSVEC has a DSC of 1.90. The Cooperative, therefore, meets the lenders' DSC covenants required for the financing.

\$6,000,000 pertaining to CREBs, and to pledge, mortgage, lien and/or encumber its assets in connection with this borrowing.

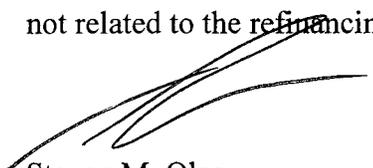
Staff further recommends that SSVEC be authorized to refinance its current debt without subsequent Commission approval provided the following conditions are met:

- a) The interest rate of the refinancing will be more favorable than that of the current debt.
- b) The term of the loan will not be shorter than the remaining term of the loan being refinanced.
- c) The resulting loan will not be an interest-only loan. Rather, the resulting loan should be an amortizing loan that requires the Cooperative to make periodic principal payments no less frequently than yearly.

Staff further recommends authorizing SSVEC to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.

Staff further recommends that SSVEC file with Docket Control, as a compliance item in this matter, copies of the loan documents within 60 days of the execution of any financing transaction authorized herein.

Staff further recommends that any authorization to incur debt granted in this proceeding, not related to the refinancing contemplated herein, terminate on December 31, 2014.



Steven M. Olea
Director
Utilities Division

SMO:JCM:lh\JFW

ORIGINATOR: Juan C. Manrique

FINANCIAL ANALYSIS

Selected Financial Information

	[A] ¹ <u>12/31/2009</u>		[B] ² <u>Pro Forma</u>			
1	Operating Income ⁵	\$	7,956,994	\$	15,319,473	
2	Depreciation & Amort. ⁵		8,480,907		7,574,650	
3	Income Tax Expense		0		0	
4						
5	Interest Expense		7,549,401		14,255,169	
6	Repayment of Principal		4,236,737		5,348,501	
7						
8	TIER					
9	[1+3] ÷ [5]		1.05		1.07	
10						
11	DSC					
12	[1+2+3] ÷ [5+6]		1.39		1.17	
13						
14						
15						
16	Short-term Debt		\$4,236,737	2.1%	\$5,348,501	1.7%
17						
18	Long-term Debt		\$134,946,486	65.8%	\$242,855,386	77.3%
19						
20	Common Equity		\$65,917,528	32.1%	\$65,917,528	21.0%
21						
22	Total Capital		\$205,100,751	100.0%	\$314,121,415	100.0%
23						

24 ¹ Column [A] is based on unaudited financial statements for the year ended December 31, 2009.
25 ² Column [B] is Column [A] modified to reflect rates approved by Decision No. 71274,
26 issuance of the proposed \$72.7 million financing amortized for 35 years at 7.5 percent per annum,
27 issuance of the proposed \$6 million CREB financing amortized for 15 years at 1.0 percent per annum,
28 the issuance of a previously undrawn loan in the amount of \$4,864,000 from Decision No. 67223
29 as well as \$25.5 million in undrawn funds from previously authorized loan in Decision No. 70027 amortized for
30 30 years.

MEMORANDUM

TO: Juan Manrique
Public Utilities Analyst I
Utilities Division

FROM: Margaret (Toby) Little *MJL*
Electric Utilities Engineer
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: February 1, 2011

SUBJECT: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC'S
FINANCING APPLICATION DATED JULY 23, 2010;
DOCKET No. E-01575A-10-0311

Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative") submitted an application on July 23, 2010, to the Arizona Corporation Commission ("Commission") for authorization to borrow \$78,676,664 from the National Rural Utilities Cooperative Finance Corporation ("CFC") and /or CoBank, ACB ("CoBank") (collectively "Lenders"). The purpose of this loan is to provide financing for the Cooperative's 2010-2012 Construction Work Plan ("CWP"). This loan amount will enable SSVEC to invest in electric utility infrastructure in terms of upgrades and new additions to the existing distribution and subtransmission system to meet the projected customer demand in a reliable manner.

On December 15, 2010, SSVEC submitted an amendment to that application for authorization to refinance a portion of its outstanding Commission-approved debt from time-to-time in various amounts up to \$126,282,240 ("Refinance Amount"). The purpose of the authorization to refinance would be to allow SSVEC to periodically compare terms and conditions offered by CFC and CoBank and to refinance portions of the Refinance Amount when it is in the best interest of the Cooperative and its member-ratepayers to do so.

UTILITY OVERVIEW

SSVEC is an all-requirements cooperative, receiving all of its power supply from Arizona Electric Power Cooperative ("AEPSCO"). SSVEC currently provides electric power to approximately 51,000 retail members over approximately 4,058 miles of subtransmission and distribution lines (294 miles of 69 kV subtransmission, 3,024 miles of overhead distribution and 740 miles of underground distribution). The Cooperative spans 6,500 square miles of service

territory, which covers parts of Cochise, Graham, Pima and Santa Cruz counties and includes the communities of Sierra Vista, Huachuca City, Patagonia, Elfrida, Benson, St. David, Bowie, San Simon, Wilcox, Sonoita and Pearce-Sunsites. The Cooperative's service territory is located within the Control Areas¹ of Arizona Public Service Company and Southwest Transmission Cooperative, Inc. The Cooperative's retail peak load was 192.6 MW in 2010.

REVIEW OF CAPITAL PROJECTS

Staff has reviewed SSVEC's 2010-2012 Construction Work Plan. In assessing the CWP, Staff utilized the following criteria.

- Does the CWP adequately address the needs of the projected customer and load growth in SSVEC's service territory?
- Are the capital expenditures on subtransmission and distribution infrastructure upgrades and new additions appropriate and reasonable?
- Is the Cooperative operating and maintaining its electric system in a reliable manner?

CUSTOMER AND LOAD GROWTH

Historically, SSVEC's total number of customers grew from 46,773 in 2005 to 51,039 in 2010, indicating an average annual increase of 1.82 percent over the past five years. The system load increased from 176 MW in 2006 to 193 MW in 2010, which represents an average increase of 2.41 percent per year over the past four-year period.

The Cooperative projects an average system load growth of 2.9 percent per year from 193 MW in 2010 to 221 MW in 2015. The number of residential customers is expected to grow an average of 1.3 percent per year. The projected load growth is consistent with the growth seen by SSVEC in recent years. As has been the case with all utility companies in Arizona, recent load growth has slowed considerably in the past few years, due mostly to the economic conditions in the State and across the county. SSVEC's forecast reflects some modest improvement in the economy. According to the Cooperative, SSVEC has had stable and consistent growth in the residential, commercial and irrigation customer sectors over the past few years.

PROJECTED CAPITAL EXPENDITURES

Staff has reviewed the Cooperative's 2010-2012 Construction Work Plan, which enumerates capital expenditures on subtransmission and distribution system upgrades and new infrastructure.

¹ A Control Area monitors actual and scheduled transmission transactions to assure load and generation are balanced within its system and power flows are within the ratings of the transmission facilities.

Distribution system expenditures relate to new underground and overhead line extensions, major subdivisions², and other new services; new feeders and tie lines; conversions and changes in distribution lines; and substation changes, such as adding new equipment, making changes in the protective relaying system, etc. New lines for new customers are expected to be paid for using Contributions in Aid of Construction, ("CIAC"). The Plan also covers expenditures for miscellaneous distribution system new items and upgrades, including pole and pad mounted transformers, voltage regulators, metering equipment, etc. Costs for replacing distribution poles and other general replacements needed for system reliability are also included. Costs for SSVEC's Demand Side Management Program, (including a new study), are also included. The Cooperative has received a SmartGrid³ grant from the federal government as part of the American Recovery and Reinvestment Act that will pay half of the cost of this program, along with half of the cost of many other system upgrades and additions including upgrades to substations, voltage control equipment and switching. Other distribution items include site and right-of-way purchases for future substations, supervisory control and data acquisition system upgrades ("SCADA"), automatic meter reading equipment, etc. The SmartGrid Grant is expected to pay for half of the cost of the SCADA and automatic meter reading equipment as well.

Subtransmission line changes include, among others, replacing miscellaneous subtransmission poles and upgrading approximately 26 miles of subtransmission line to a higher capacity conductor. The Cooperative also plans to make upgrades to subtransmission lines at junctions, (including connection points with APS), and at substations to enhance the ability of SSVEC to control various devices from a central location. The SmartGrid Grant will pay for half of the cost for these upgrades. Funding for engineering and Right of Way acquisition for future subtransmission is also included in the CWP.

Other projects included in the CWP include Fiber Optics installations at various points on their system, (designed to enhance communications and control and funded partially with the SmartGrid grant) and an addition to the Sierra Vista Warehouse. Also included in the CWP are six million dollars for the installation of a 750 MW solar generation facility and nine million dollars for programs designed to reduce purchased energy amounts and costs through the use of distributed generation and other local options. Managing the Smart Grid program is expected to cost approximately \$3.3 million, half of which will be paid out of Smart Grid grant funds.

² For purposes of this discussion major subdivisions consist of more than five lots.

³ Refers to system improvements that enhance and automate the monitoring and control of the transmission and distribution network.

The following table summarizes the annual capital expenditures for the 2010-2012 CWP.

SUMMARY OF CONSTRUCTION WORK PLAN
(Expenditures in Dollars)

CAPITAL PROJECTS	Gross Project Dollars	Smart Grid CIACS	Other CIACS	Net Project Dollars
New Underground and Overhead Distribution Lines and Major Subdivisions	11,852,000	-	11,852,000	-
New Feeders and Tie Lines	2,533,000	-	-	2,533,000
Conversions and Line Changes	11,760,000	-	-	11,760,000
New Substations	907,000	-	-	907,000
Substation Changes	4,625,560	1,317,282	-	4,308,278
Misc. Distribution Items	26,476,500	583,721	946,000	24,946,779
Other Distribution Items	9,350,471	4,489,737	185,000	4,675,734
Distribution Grand Totals	67,504,531	6,390,740	12,983,000	49,130,791
New Subtransmission Lines	1,476,000	56,217	-	1,419,783
Subtransmission				

Line Changes	16,152,828	1,548,368	-	14,604,460
Subtransmission Substation Changes	702,451	175,726	-	526,725
Subtransmission Grand Totals	18,331,279	1,780,311	-	16,550,968
Communications Projects	9,697,094	4,848,541	-	4,848,553
Warehouse Addition	459,000	-	-	459,000
Solar Generation Project and Distributed Generation	15,000,000	-	-	15,000,000
SmartGrid Project Management	3,279,807	1,639,904	-	1,639,903
Grand Totals	114,271,711	14,659,496	12,983,000	86,629,215

Staff finds the items included in the list of capital projects are appropriate to meet new load growth and will enable SSVEC to operate and maintain the electric system in a safe and reliable manner, and the expenditure amounts associated with these projects appear to be reasonable.

SYSTEM RELIABILITY

The Cooperative has included in its CWP upgrades and needed additions of distribution and subtransmission facilities for reliable operation of its system. There is provision in the CWP for line upgrades, distribution voltage conversions, and the addition of voltage regulators and capacitors necessary to serve load and maintain proper voltages on the system. The wooden pole replacement program, copper replacement program and underground cable injection⁴ and replacement programs contribute to minimizing line outages and improving system reliability.

⁴ A substance is injected into the cable to extend the life of underground cable that has deteriorated.

SSVEC's outage hours per consumer vary between 1.18 and 3.52 for the 2005-2010 period, showing an average of 2.18 outage hours per consumer. This is well within the RUS guidelines of an average of 5 outage hours per consumer per year. This shows that the Cooperative is providing reliable service to its customers and responding to emergencies in a timely manner.

SYSTEM LOSSES

SSVEC's annual system losses were between 6.33 percent and 7.24 percent for the period 2005-2010, and are projected to be slightly less than 7 percent⁵ in 2011-2012. These losses are well with the industry guidelines of 10 percent per year for rural electric cooperatives.

CONCLUSION

Based on the aforementioned review of SSVEC's distribution projects as included in its FY2010-FY2012 Construction Work Plan and other information, Staff concludes that these projects are appropriate to meet the projected demand of the Cooperative's new customers and will help ensure system reliability through the upgrade of existing electric facilities, replacement of aged underground cables, and the addition of new subtransmission and distribution facilities. Staff further concludes that the costs associated with these projects appear to be reasonable. However, this does not imply a specific treatment for rate base or rate making purposes.

⁵ Reflects improvement due to planned plant replacements and upgrades.

Chaves

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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2010-OCT-01 P 12:59
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OCT 01 2010
AZ CORP COMM
Director's Office

IN THE MATTER OF THE
APPLICATION OF SULPHUR
SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC., AN ARIZONA
NONPROFIT CORPORATION, FOR
AUTHORIZATION TO INCUR DEBT
TO FINANCE ITS 2010 - 2012
CONSTRUCTION WORK PLAN AND
FOR RELATED APPROVALS.

Docket No. E-1575A-10-0311

NOTICE OF FILING AFFIDAVITS
OF PUBLICATION

On July 23, 2010, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") filed a Financing Application ("Application") in the above-captioned matter. Section VII of the Application provides that SSVEC will publish notice pursuant to A.R.S. § 40-302(A) substantially in the form attached as Exhibit I to the Application and SSVEC will file proof of such publication with the Commission once published.

In accordance with the Application, SSVEC, through counsel undersigned, hereby submits Affidavits of Publication of public notice for the following newspapers of general circulation within SSVEC's service territory: *San Pedro Valley News-Sun/Arizona Range News; Sierra Vista Herald/Bisbee Daily Review; and The Weekly Bulletin.*

...
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...
...
...
...
...

Snell Wilmer
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1 RESPECTFULLY SUBMITTED this 1st day of October, 2010.

2 SNELL & WILMER L.L.P.

3
4 By 

5 Bradley S. Carroll
6 One Arizona Center
7 400 East Van Buren
8 Phoenix, Arizona 85004-2202
9 Attorneys for Sulphur Springs Valley Electric
10 Cooperative, Inc.

11 ORIGINAL and 13 copies filed this
12 1st day of October, 2010, with:

13 Docket Control
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington
16 Phoenix, Arizona 85007

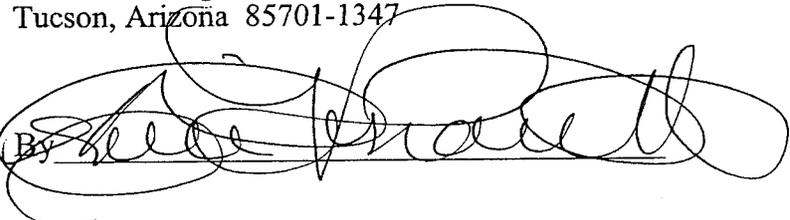
17 COPY of the foregoing hand-delivered
18 this 1st day of October, 2010, to:

19 Steve Olea, Director
20 Utilities Division
21 ARIZONA CORPORATION COMMISSION
22 1200 West Washington Street
23 Phoenix, Arizona 85007

24 Wesley C Van Cleve, Attorney
25 Legal Division
26 ARIZONA CORPORATION COMMISSION
27 1200 West Washington Street
28 Phoenix, Arizona 85007

COPY of the foregoing mailed
this 1st day of October, 2010, to:

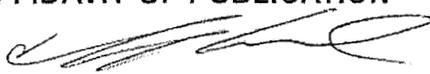
Jane Rodda, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
400 West Congress
Tucson, Arizona 85701-1347

By 

LA V. OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

STATE OF ARIZONA)
)ss.
COUNTY OF COCHISE)

AFFIDAVIT OF PUBLICATION

IAN KIRKWOOD  being first
duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the
SAN PEDRO VALLEY NEWS-SUN and or ARIZONA RANGE NEWS newspapers
printed and published weekly in the County of Cochise, State of Arizona, and of gen-
eral circulation in the city of Benson, County of Cochise, State of Arizona and else-
where, and the hereto attached

**PUBLIC NOTICE
OF APPLICATION
INCUR DEBT TO
FINANCE 2010-2012
CONSTRUCTION**

was printed and published correctly in the regular and entire issue of said SAN PEDRO
VALLEY NEWS-SUN and or ARIZONA RANGE NEWS for

1 issues, that the first was
made on the 1st day of SEPTEMBER 10
20
and the last publication thereof was made on the 1st day of
SEPTEMBER 10
20 that said publication

was made on each of the following dates, to wit:

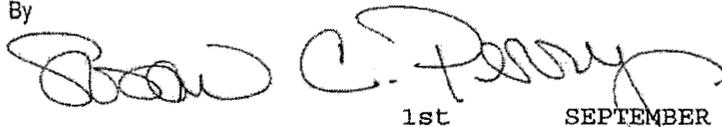
09/01/10

Request of

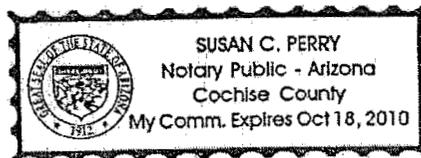
SSVEC

**San Pedro Valley News-Sun
Arizona Range News**

By


1st SEPTEMBER

Subscribed sworn to before me this
10 day of
20



Notary Public in and for the County of Cochise, State of Arizona

My Commission Expires: October 18, 2010

PUBLIC NOTICE

**PUBLIC NOTICE OF
AN APPLICATION BY SULPHUR
SPRINGS VALLEY ELECTRIC COOP-
ERATIVE, INC. FOR AN ORDER
AUTHORIZING IT TO INCUR DEBT TO
FINANCE ITS 2010-2012 CON-
STRUCTION WORK PLAN AND FOR
RELATED APPROVALS**

Sulphur Springs Valley Electric Cooperative, Inc. ("Applicant") has filed an application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to borrow from the National Rural Utilities Cooperative Finance Corporation and/or CoBank ACB, up to \$78,676,664 to finance its 2010 - 2012 Construction Work Plan associated with its construction activities and for related approvals. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and at the Applicant's offices located in Willcox, and Sierra Vista, Arizona.

Intervention in the Commission's proceedings in the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon Applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to the Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on or before the 15th day after publication of this notice.

1st September 1, 2010
no Range News

STATE OF ARIZONA)
)
) ss.
COUNTY OF COCHISE)

AFFIDAVIT OF PUBLICATION

IAN KIRKWOOD



being first

duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the SAN PEDRO VALLEY NEWS-SUN and or ARIZONA RANGE NEWS newspapers printed and published weekly in the County of Cochise, State of Arizona, and of general circulation in the city of Benson, County of Cochise, State of Arizona and elsewhere, and the hereto attached

**PUBLIC NOTICE
PUBLIC NO. _____
OF
AN APPLICATION BY SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE
VALLEY ELECTRIC COOPERATIVE
AN ORDER
AUTHORIZING IT TO INCUR
FINANCE ITS 2010-2012 CONSTRUCTION WORK PLAN AND FOR APPROVAL**

Sulphur Springs Valley Electric Cooperative application with the Arizona Corporation Commission order authorizing Applicant to borrow from the Cooperative Finance Corporation and/or CoBank finance its 2010 - 2012 Construction Work Plan activities and for related approvals. Inspection during regular business hours at Phoenix, Arizona, and at the Applicant's office in Vista, Arizona.

Intervention in the Commission's proceeding is permitted to any person entitled by law to a substantial interest in this matter. Persons desiring Motion to Intervene with the Commission will want and which, at a minimum, shall contain:

1. The name, address and telephone number and any person upon whom service of process is to be made other than the intervenor.
2. A short statement of the proposed intervention.
3. Whether the proposed intervenor desires to be heard on the application and the reasons for that desire.
4. A statement certifying that a copy of the application has been mailed to the Applicant.

The granting of Motions to Intervene shall be governed by Rule 105, except that all Motions to Intervene must be filed no later than 10 days after publication of this notice.

Publish: Sept. 1, 2010
San Pedro Valley News-Sun

APPLICATION TO INCUR
DEBT 2010-2012
CONSTRUCTION WORK
PLAN

was printed and published correctly in the regular and entire issue of said SAN PEDRO VALLEY NEWS-SUN and or ARIZONA RANGE NEWS for

1 issues, that the first was
made on the 1st day of SEPTEMBER 10 20

and the last publication thereof was made on the 1st day of

SEPTEMBER 10 20 that said publication

was made on each of the following dates, to wit:

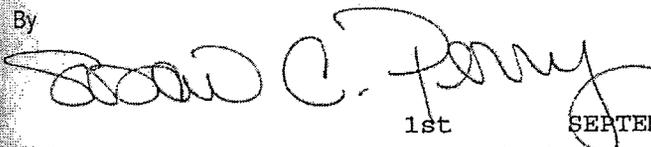
09/01/10

Request of

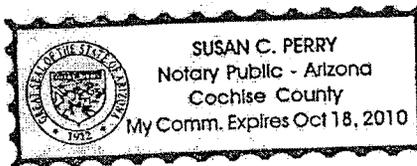
SSVEC

**San Pedro Valley News-Sun
Arizona Range News**

By



Subscribed sworn to before me this 1st day of SEPTEMBER 10 20



Notary Public in and for the County of Cochise, State of Arizona

My Commission Expires: October 18, 2010

AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA)
)ss.
COUNTY OF COCHISE)

PAMELA M. MCELROY

being first

duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the SIERRA VISTA HERALD and the BISBEE DAILY REVIEW newspapers printed and published six days a week in the County of Cochise, State of Arizona, and of general circulation in the cities of Sierra Vista and Bisbee, County of Cochise, State of Arizona and elsewhere, and hereto attached

PUBLIC NOTICE OF AN APPLICATION BY VALLEY ELECTRIC COOPERATIVE FOR AN ORDER AUTHORIZING IT TO INCREASE ITS 2010-2012 CONSTRUCTION AND FOR RELATED MATTERS

Sulphur Springs Valley ("Applicant") has filed an application with the Arizona Corporation Commission ("Commission") requesting Applicant to borrow from the Cooperative Finance Corporation up to \$78,676,664 to finance its Work Plan associated with its related approvals. The application during regular business hours in Phoenix, Arizona, and located in Willcox, and Sierra Vista.

Intervention in the Commission application shall be permitted to intervene and having a direct interest in the matter. Persons desiring to intervene with the Commission Applicant and which, at a minimum, shall provide the following information:

1. The name, address and telephone number of the proposed intervenor and any other documents is to be made if different from the above.
2. A short statement of the interest in the proceeding.
3. Whether the proposed intervenor requests an evidentiary hearing on the application and, if so, such a hearing.
4. A statement certifying that the proposed intervenor has been mailed to the proposed intervenor.

The granting of Motions requested by A.A.C. R14-3-105, et al., shall be filed on or before the expiration of this notice.

PUBLIC NOTICE OF AN APPLICATION BY SULPHUR SPRINGS ELECTRIC COOPERATIVE NATIONAL RURAL was printed and published correctly in the regular and entire issue of said SIERRA VISTA HERALD and BISBEE DAILY REVIEW for 1 issues, that the first was made on the 1st day of SEPTEMBER 20 10 and the last publication thereof was made on the 1st day of SEPTEMBER 20 10 that said publication was made on each of the following dates, to wit:

09/01/10

Request of

**Sierra Vista Herald
Bisbee Daily Review**

By

Subscribed sworn to before me this 1st day of SEPTEMBER 20 10



Notary Public in and for the County of Cochise, State of Arizona

My Commission Expires:

5/21/12

STATE OF ARIZONA)
) SS
COUNTY OF SANTA CRUZ)

AFFIDAVIT OF PUBLICATION
ELISA BERMUDEZ

Elisa Bermudez

being first

Duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the THE WEEKLY BULLETIN newspaper printed and published one day a week in the City of Sonoita, County of Santa Cruz, State of Arizona. That the notice, a copy of which is hereto attached, described as follows:

PUBLIC NOTICE

PUBLIC NOTICE OF AN APPLICATION BY SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE AUTHORIZING IT TO INCUR DEBT TO FINANCE ITS 2010-2012 CONSTRUCTION RELATED ACTIVITIES

Sulphur Springs Valley Electric Cooperative, Inc. (SVC) has filed an application with the Arizona Corporation Commission (ACC) to become an Applicant to borrow from the National Rural Utility CoBank, ACB, up to \$78,676,664 to finance its 2010-2012 construction activities and for related activities. The application is being reviewed and will be inspected during regular business hours at the office of the ACC at the Applicant's offices located in Willcox, Arizona.

Intervention in the Commission's proceedings is permitted to any person entitled by law to intervene and having a legal interest in the subject matter. Persons desiring to intervene must file a Motion to Intervene with the Commission and which, at a minimum, must contain the following information:

1. The name, address and telephone number of the person upon whom service of documents is to be made.
2. A short statement of the proposed intervention.
3. Whether the proposed intervenor desires to be heard and the reasons for such a hearing.
4. A statement certifying that a copy of the application has been served on the Applicant.

The granting of Motions to Intervene shall be at the discretion of the Commission. That all Motions to Intervene must be filed on or before the date of the public notice.

Req. Sulphur Springs Valley Electric Cooperative
Pub. September 1, 2010

SULPHUR SPRINGS VALLEY ELECTRIC CO-OPERATIVE, INC. FOR DEBT TO FINANCE ITS 2010-2012 WORK PLAN was printed and published in the regular and entire issue of said

THE WEEKLY BULLETIN for 1 issues, that the first was made on the 1st day of SEPTEMBER 10 and the last publication thereof was made on the 1st day of

SEPTEMBER 20 10 that said publication

was made on each of the following dates, to wit:

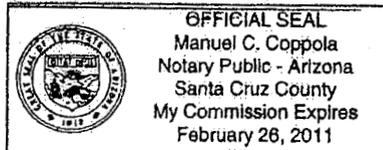
09/01/10

Request of SULPHUR SPRINGS VALLEY

THE WEEKLY BULLETIN
268 W VIEW POINT, NOGALES, AZ 85621 (520)375-5760

By *Manuel C. Coppola*

Subscribed sworn to before me this 1st day of SEPTEMBER 20 10



Notary Public in and for the County of Santa Cruz, State of Arizona

My Commission Expires: 2/26/11

Manrique

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
PAUL NEWMAN
SANDRA D. KENNEDY
BRENDA BURNS

2011 FEB -1 P 2:37 RECEIVED

AZ CORP COMMISSION FEB 0 1 2011
DOCKET CONTROL

AZ CORP COMM
Director Utilities

IN THE MATTER OF THE
APPLICATION OF SULPHUR
SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC., AN ARIZONA
NONPROFIT CORPORATION, FOR
AUTHORIZATION TO INCUR DEBT
TO FINANCE ITS 2010 - 2012
CONSTRUCTION WORK PLAN AND
FOR RELATED APPROVALS.

Docket No. E-1575A-10-0311

NOTICE OF FILING AFFIDAVITS
OF PUBLICATION FOR AMENDED
APPLICATION

On July 23, 2010, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") filed a Financing Application ("Application") in the above-captioned matter. On October 1, 2010, in accordance with the Application, SSVEC filed a Notice of Filing of Affidavits of Publication pursuant to A.R.S. § 40-302(A). On December 15, 2010, SSVEC filed an Amendment to the Application ("Amendment"). Section IV of the Amendment provides that SSVEC will publish a second notice to incorporate the Amendment substantially in the form attached as Exhibit C to the Amendment and that SSVEC will file proof of such publication with the Commission once published.

In accordance with the Amendment, SSVEC, through counsel undersigned, hereby submits Affidavits of Publication of public notice for the following newspapers of general circulation within SSVEC's service territory: *San Pedro Valley News-Sun/Arizona Range News; Sierra Vista Herald/Bisbee Daily Review; and The Weekly Bulletin.*

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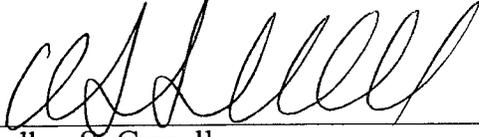
...

...

1 RESPECTFULLY SUBMITTED this 1st day of February, 2011.

2 SNELL & WILMER L.L.P.

3
4 By


Bradley S. Carroll
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004-2202
Attorneys for Sulphur Springs Valley Electric
Cooperative, Inc.

5
6
7
8 ORIGINAL and 13 copies filed this
9 1st day of February, 2011, with:

10 Docket Control
11 ARIZONA CORPORATION COMMISSION
12 1200 West Washington
13 Phoenix, Arizona 85007

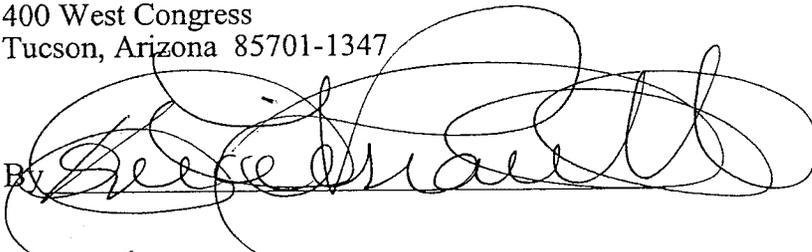
14 COPY of the foregoing hand-delivered
15 this 1st day of February, 2011, to:

16 Steve Olea, Director
17 Utilities Division
18 ARIZONA CORPORATION COMMISSION
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 Wesley C Van Cleve, Attorney
22 Legal Division
23 ARIZONA CORPORATION COMMISSION
24 1200 West Washington Street
25 Phoenix, Arizona 85007

26 COPY of the foregoing mailed
27 this 1st day of February, 2011, to:

28 Jane Rodda, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
400 West Congress
Tucson, Arizona 85701-1347

By 

AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA)
)ss.
COUNTY OF COCHISE)

PAMELA M. MCELROY

Pamela M. McElroy

being first

duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the SIERRA VISTA HERALD and the BISBEE DAILY REVIEW newspapers printed and published six days a week in the County of Cochise, State of Arizona, and of general circulation in the cities of Sierra Vista and Bisbee, County of Cochise, State of Arizona and elsewhere, and hereto attached

PUBLIC NOTICE
OF
ON BY SULPHUR SPRINGS VALLEY
OPERATIVE, INC. FOR AN ORDER
G IT TO INCUR DEBT TO FINANCE
CONSTRUCTION WORK PLAN, TO
EXISTING DEBT, AND FOR RELATED
APPROVALS

Electric Cooperative, Inc. ("Applicant") has filed an Arizona Corporation Commission ("Commission") for an application to borrow from the National Rural Utilities Cooperation ("CFC") and/or CoBank ("CoBank"), ACB, up to its 2010 - 2012 Construction Work Plan associated activities, to refinance up to \$126,282,240 of existing obligations. The application is available for inspection 9 hours at the office of the Commission in Phoenix, Applicant's offices located in Willcox, and Sierra Vista.

The Commission's proceedings in the application shall be open to all persons entitled by law to intervene and having a direct substantial interest in the matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon Applicant and the Commission. The Motion shall contain the following information:

- Name and telephone number of the proposed intervenor.
- Address upon whom service of documents is to be made.
- Name of the intervenor.
- A statement of the proposed intervenor's interest in the proceeding.
- A statement of the proposed intervenor's reasons for such a hearing.
- A statement of the proposed intervenor's reasons for such a hearing.
- A statement of the proposed intervenor's reasons for such a hearing.
- A statement of the proposed intervenor's reasons for such a hearing.

A copy of the Motion to Intervene has been filed with the Commission.

Persons desiring to Intervene shall be governed by A.A.C. R14-3-001. Applications to Intervene must be filed on or before the 15th day of the month of this notice.

Published: January 12, 2011

PUBLIC NOTICE OF AN APPLICATION BY SSVEC, INC. FOR AN 2010-2012 CONSTRUCTION WORK PLAN was printed and published correctly in the regular and entire issue of said SIERRA VISTA HERALD and BISBEE DAILY REVIEW for 1 issues, that the first was made on the 12th day of JANUARY 20 11 and the last publication thereof was made on the 12th day of JANUARY 20 11 that said publication was made on each of the following dates, to wit:

01/12/11

Request of

Sierra Vista Herald
Bisbee Daily Review

By

[Signature]

Subscribed sworn to before me this 12th day of JANUARY 20 11



Notary Public in and for the County of Cochise, State of Arizona

My Commission Expires:

5/21/12

AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA)
) :SS.
COUNTY OF COCHISE)

PAMELA M. MCELROY

Pamela M. McElroy

being first

duly sworn, deposes and says: That (he) (she) is the Agent-to-the Publisher of the SIERRA VISTA HERALD and the BISBEE DAILY REVIEW newspapers printed and published six days a week in the County of Cochise, State of Arizona, and of general circulation in the cities of Sierra Vista and Bisbee, County of Cochise, State of Arizona and elsewhere, and hereto attached

**PUBLIC NOTICE
OF
BY SULPHUR SPRINGS VALLEY
PERATIVE, INC. FOR AN ORDER
IT TO INCUR DEBT TO FINANCE
ONSTRUCTION WORK PLAN, TO
STING DEBT, AND FOR RELATED
APPROVALS**

Electric Cooperative, Inc. ("Applicant") has filed an a Corporation Commission ("Commission") for an t to borrow from the National Rural Utilities Coop- on ("CFC") and/or CoBank ("CoBank"), ACB, up to 2010 - 2012 Construction Work Plan associated ies, to refinance up to \$126,282,240 of existing ovals. The application is available for inspection ours at the office of the Commission in Phoenix, ant's offices located in Willcox, and Sierra Vista,

mission's proceedings in the application shall be stituted by law to intervene and having a direct sub- ter. Persons desiring to intervene must file a Mo- mmission which must be served upon Applicant shall contain the following information:

telephone number of the proposed inter- on whom service of documents is to be e intervener. proposed intervenor's interest in the proceeding. intervener desires a formal evidentiary hearing on easons for such a hearing. (a copy of the Motion to Intervene has been

o Intervene shall be governed by A.A.C. R14-3- to Intervene must be filed on or before the 15th notice.

Published: January 12, 2011

PUBLIC NOTICE OF AN APPLICATION BY SSVEC, INC. FOR AN 2010-2012 CONSTRUCTION WORK PLAN

was printed and published correctly in the regular and entire issue of said SIERRA VISTA HERALD and BISBEE DAILY REVIEW for 1 issues, that the first was made on the 12th day of JANUARY 20 11 and the last publication thereof was made on the 12th day of

JANUARY 20 11 that said publication was made on each of the following dates, to wit:

01/12/11

Request of

**Sierra Vista Herald
Bisbee Daily Review**

By

[Signature]

Subscribed sworn to before me this 12th day of JANUARY 20 11



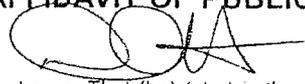
Notary Public in and for the County of Cochise, State of Arizona

My Commission Expires:

5/21/12

STATE OF ARIZONA)
)
) ss.
COUNTY OF COCHISE)

AFFIDAVIT OF PUBLICATION

DEEDEE HICKS  being first
duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the
SAN PEDRO VALLEY NEWS-SUN and or ARIZONA RANGE NEWS newspapers
printed and published weekly in the County of Cochise, State of Arizona, and of gen-
eral circulation in the city of Benson, County of Cochise, State of Arizona and else-
where, and the hereto attached

PUBLIC NOTICE
PUBLIC NOTICE
OF
BY SULPHUR SPRINGS VALLEY
COOPERATIVE, INC. FOR AN ORDER
TO INCUR DEBT TO FINANCE
CONSTRUCTION WORK PLAN, TO
INCUR DEBT, AND FOR RELATED
APPROVALS

Valley Electric Cooperative, Inc. ("Applicant") for an order authorizing Applicant to incur debt to finance construction work plan, to incur debt, and for related approvals. The Commission in Phoenix, Arizona, and at locations in Wilcox, and Sierra Vista, Ariz-

Commission's proceedings in the matter. Any person entitled by law to intervene must file a Motion to Intervene which must be served upon Applicant. Such motion shall contain the following information:

Business and telephone number of the proposed intervenor, and the reasons for such a motion.

Statement of the proposed intervenor's interest in the matter.

Whether the proposed intervenor desires a formal evidentiary hearing, and the reasons for such a hearing.

Statement certifying that a copy of the Motion to Intervene has been filed to the Applicant.

Motions to Intervene shall be governed by the rules of procedure, except that all Motions to Intervene must be filed on or before the 15th day after publication of this notice.

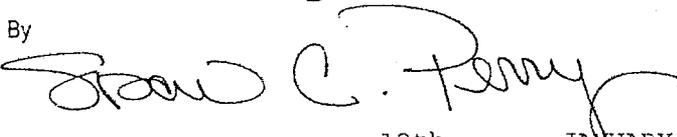
APPLICATION- ORDER
AUTHORIZING IT TO
INCUR DEBT TO FINANCE
2010-2012 CONSTRUCTION
WORK PLAN
was printed and published correctly in the regular and entire issue of said SAN PEDRO VALLEY NEWS-SUN and or ARIZONA RANGE NEWS for

1 issues, that the first was
made on the 12th day of JANUARY 2011
and the last publication thereof was made on the 12th day of
JANUARY 2011
that said publication

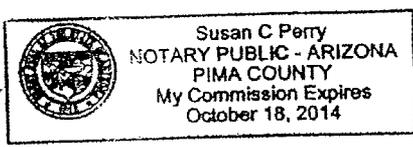
was made on each of the following dates, to wit:
01/12/11

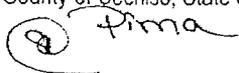
Request of
SSVEC.

San Pedro Valley News-Sun
Arizona Range News

By 

Subscribed sworn to before me this 12th day of JANUARY 2011

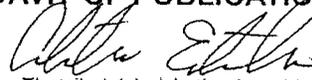


Notary Public in and for the County of Cochise, State of Arizona
My Commission Expires: October 18, 2014 

STATE OF ARIZONA)
)
) ss.
COUNTY OF COCHISE)

AFFIDAVIT OF PUBLICATION

ASHTON ESTRADA



being first

duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the SAN PEDRO VALLEY NEWS-SUN and or ARIZONA RANGE NEWS newspapers printed and published weekly in the County of Cochise, State of Arizona, and of general circulation in the city of Benson, County of Cochise, State of Arizona and elsewhere, and the hereto attached

**PUBLIC NOTICE
OF
AN APPLICATION BY
SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE
FOR AN ORDER
AUTHORIZING IT TO
FINANCE ITS 2010-2012
CONSTRUCTION WORK PLAN, TO REFINANCE
ITS DEBT, AND FOR RELATED MATTERS.**

Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) has filed an application with the Arizona Corporation Commission (ACC) for an order authorizing Applicant to borrow from Creative Finance Corporation (CFC) and to \$78,676,664 to finance its 2010 - 2012 construction activities, to refinance its debt, and for related approvals. The application is available for public review during regular business hours at the office of the ACC in Phoenix, Arizona, and at the Applicant's offices located in Sulphur Springs, Arizona.

Intervention in the Commission's proceedings is permitted to any person entitled by law to a substantial interest in this matter. Persons desiring to file a Motion to Intervene with the Commission should do so in accordance with the rules of the Commission and which, at a minimum, shall contain:

1. The name, address and telephone number of the applicant and any person upon whom service is to be made, other than the intervenor.
2. A short statement of the proposed intervention.
3. Whether the proposed intervenor is entitled to intervene on the application and the reasons therefor.
4. A statement certifying that a copy of the application has been mailed to the Applicant.

The granting of Motions to Intervene shall be subject to the provisions of Rule 105, except that all Motions to Intervene shall be filed at least 10 days after publication of this notice.

Published: Jan. 12, 2011
San Pedro Valley News-Sun

APPLICATION FOR
AUTHORIZING TO INCUR
DEBT TO FINANCE
2010-2012
CONSTRUCTION WRK PLN

was printed and published correctly in the regular and entire issue of said SAN PEDRO VALLEY NEWS-SUN and or ARIZONA RANGE NEWS for

1 issues, that the first was
made on the 12th day of JANUARY 20 11
and the last publication thereof was made on the 12th day of

JANUARY 20 11 that said publication
was made on each of the following dates, to wit:

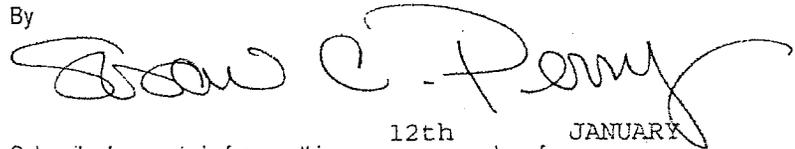
01/12/11

Request of

SSVEC

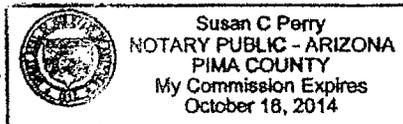
**San Pedro Valley News-Sun
Arizona Range News**

By



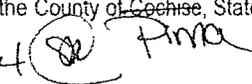
Subscribed sworn to before me this 12th day of JANUARY

20 11



Notary Public in and for the County of Cochise, State of Arizona

My Commission Expires: October 18, 2014



STATE OF ARIZONA)
 : SS
COUNTY OF SANTA CRUZ)

AFFIDAVIT OF PUBLICATION
ELISA BERMUDEZ

Elisa Bermudez being first

Duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the THE WEEKLY BULLETIN newspaper printed and published one day a week in the City of Sonoita, County of Santa Cruz, State of Arizona. That the notice, a copy of which is hereto attached, described as follows:

PUBLIC NOTICE
SULPHUR SPRINGS VALLEY ELECTRIC
ORDER AUTHORIZING IT TO INCUR
2010-2012 CONSTRUCTION WORK
EXISTING DEBT, AND FOR RELATED
APPROVALS

Cooperative, Inc. ("Applicant") has filed an application in ("Commission") for an order authorizing Applicant as Cooperative Finance Corporation ("CFC") and/or to finance its 2010 - 2012 Construction Work Plan to refinance up to \$126,282,240 of existing debt. This plan is available for inspection during regular business hours in Phoenix, Arizona, and at the Applicant's offices in Sonoita, Arizona.

Any proceedings in the application shall be permitted to any person who has a direct and substantial interest in this matter and who desires to file a Motion to Intervene with the Commission in which, at a minimum, shall contain the following information:

- 1. The name and address of the proposed intervenor and any other persons who have a direct and substantial interest in the proceeding.
- 2. A statement of the proposed intervenor's interest in the proceeding.
- 3. A statement of whether the proposed intervenor desires a formal evidentiary hearing on the matter and, if so, the date of such a hearing.
- 4. A copy of the Motion to Intervene has been mailed to the proposed intervenor.

The Commission's proceedings shall be governed by A.A.C. R14-3-105, except to the extent that the Commission's rules of procedure are inconsistent with or in conflict with the provisions of this order.

Witness my hand and the seal of my office this 12th day of January, 2011.

Notary Public

PUBLIC NOTICE OF AN APPLICATION BY SULPHUR SPRINGS VALLEY ELECTRIC FINANCE 2010-2012 was printed and published in the regular and entire issue of said

THE WEEKLY BULLETIN for 1 issues, that the first was made on the 12th day of JANUARY 2011 and the last publication thereof was made on the 12th day of JANUARY 20 11 that said publication

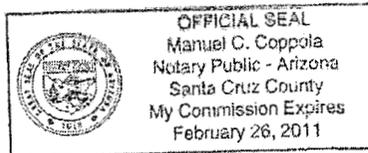
was made on each of the following dates, to wit:
01/12/11

Request of SULPHUR SPRINGS VALLEY

THE WEEKLY BULLETIN
268 W VIEW POINT, NOGALES, AZ 85621 (520)375-5760
By

Manuel C. Coppola

Subscribed sworn to before me this 12th day of JANUARY 20 11



Notary Public in and for the County of Santa Cruz, State of Arizona

My Commission Expires: 2/26/11

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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF THE APPLICATION)
OF SULPHUR SPRINGS VALLEY)
ELECTRIC COOPERATIVE, INC. FOR)
APPROVAL TO INCUR DEBT TO)
FINANCE ITS 2010-2012 CONSTRUCTION)
WORK PLAN AND FOR RELATED)
APPROVALS)

DOCKET NO. E-01575A-10-0311
DECISION NO. _____
ORDER

Open Meeting
March 1 and 2, 2011
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

A. Introduction

1. On July 23, 2010, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative"), an Arizona class "A" public service corporation and non-profit cooperative with its business office in Willcox, Arizona, filed an application with the Arizona Corporation Commission ("Commission") for authorization to incur debt to finance its 2010-2012 Construction Work Plan ("CWP").

2. On December 15, 2010, the Cooperative filed an amendment to its original application requesting authorization to refinance some of its existing debt at more favorable rates.

...
...
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1 **B. Background**

2 3. SSVEC is an Arizona non-profit, member-owned cooperative located in Willcox,
3 Arizona. The Cooperative provides electric distribution service to approximately 51,000
4 customers in parts of Cochise, Santa Cruz, Pima and Graham Counties.

5 4. The Cooperative's current rates were approved in Decision No. 71274, dated
6 September 8, 2009.

7 5. The Cooperative asks that the Commission authorize it to assume new debt in an
8 amount not to exceed \$78,676,664 through a credit facility from the National Rural Utilities
9 Cooperative Finance Corporation ("CFC") and/or CoBank, ACB ("CoBank") and to pledge,
10 mortgage, lien and/or encumber its assets in connection with the credit facility. The facility will be
11 managed in such a way in which SSVEC will draw funds periodically from either CFC or CoBank,
12 depending on which lender is offering better terms. However, regardless of which lender the
13 Cooperative chooses at each borrowing interval, the total credit facility will be reduced by each
14 lender by the amount borrowed.

15 6. The purpose of \$72,676,664 of the proposed financing is to fund the upgrade and/or
16 replacement of existing utility infrastructure and construction of supplemental facilities pursuant to
17 SSVEC's CWP. The remaining \$6,000,000 of the proposed financing is to fund construction of a
18 new 750 kW solar facility planned for Sonoita, Arizona, via a CoBank loan utilizing Clean
19 Renewable Energy Bonds ("CREBs"). The interest rate on the CREBs loan will not exceed 1
20 percent per annum.

21 7. SSVEC has also requested authorization to refinance its existing debt at a time of its
22 choosing without having to file an application with the Commission requesting authorization to do
23 so. According to its application, SSVEC anticipates that it may have opportunities over the next
24 several years to refinance much of its existing debt at more favorable interest rates and under more
25 favorable terms and conditions to save the Cooperative and its ratepayer-members considerable
26 money.

27 8. On October 1, 2010, the Cooperative filed an affidavit of publication verifying
28 public notice of its financing application. The Cooperative published notice of its financing

1 application in The Weekly Bulletin on September 1, 2010, in the Sierra Vista Herald/Bisbee Daily
2 Review on September 1, 2010, and in the San Pedro Valley News-Sun and the Arizona Range
3 News on September 1, 2010. SSVEC published a second notice in each of those publications on
4 January 12, 2011, pertaining to the refinancing of its existing debt pursuant to the Cooperative's
5 amended application.

6 9. There are no outstanding compliance issues with the Cooperative.

7 10. Staff reviewed the Cooperative's proposed capital improvements and believes that
8 the projects are appropriate and the related cost estimates are reasonable.

9 11. Staff states that its conclusions should not be interpreted to imply a specific
10 treatment for rate base or rate-making purposes in the Cooperative's future rate filings.

11 **C. Financial Analysis**

12 12. Staff's analysis indicates that, based on the Cooperative's historical financial
13 information for the year ended December 31, 2009, SSVEC had a capital structure consisting of
14 2.1 percent short-term debt, 65.8 percent long-term debt and 32.1 percent common equity.

15 13. Staff's pro forma analysis was based on the Cooperative's historical financial
16 information for the year ended December 31, 2009. This data was modified to reflect SSVEC's
17 most recently authorized operating income,¹ the issuance of the proposed \$72.7 million financing
18 amortized over 35 years at 7.5 percent per annum, the issuance of the proposed \$6 million CREB
19 financing amortized for 15 years at 1.0 percent per annum, the issuance of a previously undrawn
20 loan in the amount of \$4,864,000,² as well as \$25.5 million in undrawn funds from a loan
21 previously authorized in Decision No. 70027 amortized over 30 years at 7.5 percent per annum.
22 Staff's analysis indicates that SSVEC's total equity would drop from 32.1 percent of total capital
23 to 21 percent, its times interest earned ratio would increase from 1.05 to 1.07, and its debt service
24 coverage ratio would decrease from 1.39 to 1.17.

25 ...

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27 ¹ Commission Decision No. 71274 dated September 8, 2009.

28 ² Commission Decision No. 67223 dated September 4, 2004. The final draw was made by the Cooperative in
November 2010. Staff Memo at 2.

1 14. Based on its pro forma analysis, Staff concludes that cash flow from operations is
2 sufficient to cover all obligations.³

3 15. Staff further concludes that issuance of the proposed debt financing for the purposes
4 stated in the application is within SSVEC's corporate powers, is compatible with the public
5 interest, is consistent with sound financial practices and will not impair its ability to provide
6 services.

7 16. Staff recommends that the Commission authorize SSVEC's request to obtain a
8 credit facility from both CFC and CoBank in an amount not to exceed \$78,676,664, including
9 \$6,000,000 pertaining to CREBs, and to pledge, mortgage, lien and/or encumber its assets in
10 connection with this borrowing.

11 17. Staff further recommends that SSVEC be authorized to refinance its current debt
12 without subsequent Commission approval provided the following conditions are met:

- 13 a) The interest rate of the refinancing will be more favorable than that of the
14 current debt.
- 15 b) The term of the loan will not be shorter than the remaining term of the loan
16 being refinanced.
- 17 c) The resulting loan will not be an interest-only loan. Rather, the resulting loan
18 should be an amortizing loan that requires the Cooperative to make periodic
 principal payments no less frequently than yearly.

19 18. Staff further recommends authorizing SSVEC to engage in any transaction and to
20 execute any documents necessary to effectuate the authorizations granted.

21 19. Staff further recommends that SSVEC file with Docket Control, as a compliance
22 item in this matter, copies of the loan documents within 60 days of the execution of any financing
23 transaction authorized herein.

24 20. Staff further recommends that any authorization to incur debt granted in this
25 proceeding, not related to the refinancing contemplated herein, terminate on December 31, 2014.

26 _____
27 ³ The loan covenants state that the Cooperative must maintain a 1.35 DSC; however, under CFC and CoBank's
28 methodology SSVEC has a DSC of 1.90. The Cooperative, therefore, meets the lenders' DSC covenants required for
the financing. Staff Memo at 3.

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- b) The term of the loan will not be shorter than the remaining term of the loan being refinanced.
- c) The resulting loan will not be an interest-only loan. Rather, the resulting loan should be an amortizing loan that requires the Cooperative to make periodic principal payments no less frequently than yearly.

IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. is authorized to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted herein.

IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. file with Docket Control, as a compliance item in this matter, copies of the loan documents within 60 days of the execution of any financing transaction authorized herein.

IT IS FURTHER ORDERED that any authorization to incur debt granted in this proceeding not related to the refinancing contemplated herein terminate on December 31, 2014.

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IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not constitute or imply approval or disapproval by the Commission of any particular expenditure of the proceeds derived thereby for purposes of establishing just and reasonable rates.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2011.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JCM:lh\WVC

1 Service List for: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
2 Docket No. E-01575A-10-0311

3 Mr. Bradley Carroll
4 One Arizona Center
400 East Van Buren Street
5 Phoenix, Arizona 85004-2202

6 Mr. Steven M. Olea
7 Director, Utilities Division
Arizona Corporation Commission
8 1200 West Washington Street
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10 Chief Counsel, Legal Division
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11 1200 West Washington Street
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