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BEFORE THE ARIZONA CORPORATION

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Arizona Corporation Commission

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COMMISSIONERS

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

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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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

**SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.'S
COMMENTS AND PROPOSED
AMENDMENTS TO PROPOSED
ORDER**

On February 15, 2011, the Utilities Division (“Staff”) of the Arizona Corporation Commission (“Commission”) issued a Staff Report and Proposed Order in the above-captioned matter. Sulphur Springs Valley Electric Cooperative, Inc. (“SSVEC” or “Cooperative), through counsel undersigned, hereby submits its comments on the Proposed Order. Additionally, for the consideration and convenience of the Commissioners, SSVEC has included proposed language to amend the Proposed Order to incorporate the Cooperative’s comments.

General Comments

SSVEC generally supports the Proposed Order which authorizes the Cooperative to: 1) assume new debt in the amount of \$72,676,664 to fund its 2010-2012 Construction Work Plan; 2) assume new debt in the amount of \$6,000,000 in Clean Renewable Energy Bonds (“CREBs”) to fund construction of a 750 kW solar facility planned for Sonoita, Arizona;¹ and 3) refinance existing debt. Since the filing of the Application, SSVEC has worked with Staff, and the Cooperative is appreciative of Staff’s efforts in this regard. SSVEC, however, has concerns with respect to two (2) of the proposed conditions, as well

¹ The size of the solar facility may be increased to up to one (1) MW.

Snell & Wilmer

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1 as the CREBs interest rate, and therefore requests that the Commission amend the
2 Proposed Order to incorporate the changes set forth below.

3 **Term of Refinanced Loan**

4 Condition “b” of the Proposed Order² should be eliminated. This condition
5 requires that:

6 *The term of the loan will not be shorter than the remaining term of*
7 *the loan being refinanced.*

8 A literal reading of this condition means that SSVEC may only refinance a loan for
9 a term that is equal to or longer than the remaining term of an existing loan. For example,
10 if SSVEC was to refinance a 35-year loan that has 25 years remaining on the loan, this
11 condition would require that SSVEC could not refinance this loan unless the term of the
12 refinanced loan was 25 years or longer. This would preclude SSVEC from refinancing
13 this loan over a shorter period of time, *i.e.*, 15 or 20 years. If SSVEC determines that it
14 can achieve more favorable terms and conditions and save the Cooperative and its
15 member-ratepayers money by refinancing the loan for a shorter period of time, it should
16 be able to do so. Moreover, in light of condition “a” of the Proposed Order³ which
17 requires that “the interest rate of the refinancing will be more favorable than that of the
18 current debt,” condition “b” is simply not necessary and limits the Cooperative’s ability to
19 refinance at more favorable terms and conditions. Accordingly, this condition should be
20 eliminated. Set forth in Exhibit A attached hereto is proposed language that would amend
21 the Proposed Order to eliminate this condition.

22 **Time Limit for Authorization to Incur new Debt**

23 SSVEC is concerned that the Proposed Order requires SSVEC to complete its
24 financing by December 31, 2014. The Proposed Order sets forth the following:

25 *...any authorization to incur debt granted in this proceeding not*
26 *related to the refinancing contemplated herein terminate on*
27 *December 31, 2014.*⁴

28 ² Proposed Order at page 6, line 1.

³ Proposed Order at page 5, line 26.

⁴ Proposed Order at page 6, lines 11-12.

1 SSVEC believes that a time-limit on the authorization to incur this debt is not
2 necessary and impedes the Cooperative's ability to "take down" debt at such times and
3 under such terms and conditions that are most favorable to SSVEC and its member-
4 ratepayers. For example, if SSVEC determines that it should delay borrowing money
5 until a more advantageous time because of circumstances that may include recessionary
6 factors, construction schedules, access to other funds, or higher interest rates, it should be
7 able to do so without having to come back to the Commission for an extension of time.
8 Moreover, in the Commission's last Decision authorizing SSVEC to borrow up to \$70.78
9 million,⁵ the Commission did not impose a time limit. SSVEC has given the Commission
10 no reason to start imposing time limits on when the Cooperative must complete a
11 financing. Accordingly, this condition should be eliminated. Set forth in Exhibit A
12 attached hereto is proposed language that would amend the Proposed Order to eliminate
13 this condition.

14 **Interest Rate for CREBs Loan**

15 In the past, the interest rate for CREBs loans was priced between 0% and 1%
16 percent per annum. SSVEC has since been informed by CoBank that due to Internal
17 Revenue Service policy changes regarding CREBs, the interest rate for the loan will now
18 be 2%.⁶ This is still an extremely low interest rate for the \$6 million to fund construction
19 of the 750 kW solar facility planned for Sonoita, Arizona, and should not materially
20 impact the financial analysis. Accordingly, the reference to the 1% interest rate set forth
21 in the Proposed Order should be amended to reflect 2%. Set forth in Exhibit A attached
22 hereto is proposed language for this amendment.

23 **Conclusion**

24 On the basis of the foregoing, SSVEC requests that the Commission amend the
25 Proposed Order consistent with the proposed amendments set forth in attached Exhibit A.

26 . . .

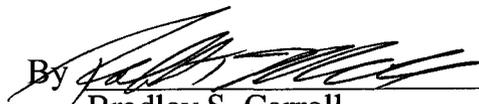
27 . . .

28 ⁵ Decision No. 70027 (December 4, 2007).

⁶ There will also be an upfront charge of 25 basis points.

1 RESPECTFULLY SUBMITTED this 23rd day of February, 2011.

2 SNELL & WILMER L.L.P.

3
4 By  FOR

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 23rd day of February, 2011, 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 23rd day of February, 2011, to:

19 Gary Pierce, Chairman
20 ARIZONA CORPORATION COMMISSION
21 1200 West Washington Street
22 Phoenix, Arizona 85007

23 Bob Stump, Commissioner
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EXHIBIT A

PROPOSED AMENDMENTS

INTEREST RATE FOR CREBS LOAN

On page 2, line 19, CHANGE "1" to "2".

PROPOSED CONDITIONS

Page 5, line 1, after "recommendations" ADD "as modified below."

Page 5, line 4, after "recommendations" ADD "as modified below".

Page 6, line 1, DELETE condition b.

Page 6, lines 11-12, DELETE.

MAKE ALL CONFORMING CHANGES