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ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission
DOCKETED

MAR 16 2011

March 16, 2011

HAND DELIVERED

Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

DOCKETED BY

Re: *Arizona Electric Power Cooperative's ("AEPCO") Notice of Proposed Modifications to Its 2009-2011 Construction Work Plan; Decision No. 71111; Docket No. E-01773A-08-0587*

Dear Mr. Olea:

In Decision No. 71111, dated June 5, 2009 (the "Decision"), the Commission approved AEPCO's request for CFC interim financing in an amount not to exceed \$42.287 million and RUS/FFB permanent loan financing in an amount not to exceed \$36,032,000 for its 2009-2011 Construction Work Plan ("CWP"). The Commission also approved continuation of the procedure for authorizing amendments to the CWP without the need to file an amended application as follows:

Arizona Electric Power Cooperative, Inc. shall file in this docket any proposed modifications to the 2009-2011 Construction Work Plan which substantially conform to the purposes of the 2009-2011 Construction Work Plan and which cost more than \$500,000, but do not exceed the authorized amount of... \$36.032 million for long-term financing, and unless Staff files an objection to the proposed modifications within 60 days of Arizona Electric Power Cooperative, Inc. filing the proposed changes, the proposed project modifications shall be deemed approved.¹

¹ Decision, page 7, first full ordering paragraph. There is a typographical error in the ordering paragraph which has been corrected in this quotation. The authorized finance amount was \$36.032 million (see Findings 12 and 22.b), not the \$36.082 stated in the ordering paragraph.

In 2010, the AEPCO Board of Directors approved an amendment to the projects included in the CWP, which amendment was submitted to, and subsequently approved by, RUS. The purpose of this filing is to use the filing procedure authorized to propose those same modifications to the CWP approved in the Decision.

Attached as Exhibit A is a schedule summarizing the changes to the CWP, which are being funded by the RUS R-8 Loan. The first dollars column states the cost estimates associated with the projects authorized in the Decision and the second column states amendments to estimated costs and projects.

The reasons for the amendments are as follows:

1. For the ST2 Bottom Ash Hopper Reline Upgrade,² cost estimates have been revised to reflect recent increases in material and labor costs, as well as changes in the scope of the project.
2. AEPCO has determined that three projects (ST2 SDAS Tower Outlet Duct Upgrade, GT4 Catalyst Replacement, ST2 Classifier Replacement),³ are not needed in this CWP and are being deferred to a later construction work plan.
3. Two projects with cost estimates in excess of \$500,000 (ST2/ST3 Mercury Reduction and 3A/3B Coal Piping Elbow Upgrades)⁴ were added.

Also attached as Exhibit B is a schedule which provides more detail on the revised estimates, deletions and additions to the smaller projects that comprise the category "Plant Upgrades/Improvements under \$500,000 individually" at line 24 of Exhibit A.

As required by the Decision, (1) each of the projects conforms to the purpose of the CWP, which is to make necessary improvements and upgrades to meet reliability and service quality standards and (2) total borrowings will not exceed the Commission-authorized level of \$36.032 million. Please note that, while the cost estimates total \$36.557 million currently, AEPCO expects actual costs to be lower. In no event, however, will the amount borrowed in relation to the CWP and the RUS R-8 Loan exceed the Commission-authorized level of \$36.032 million.

By the terms of the Decision, Staff does not need to take affirmative action on this request for the proposed changes to take effect. The changes will take effect after 60 days if no objection is filed.

² Line 13; Exhibit A.

³ Lines 7, 12 and 18; Exhibit A.

⁴ Lines 22 and 23; Exhibit A.

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Staff's assistance in relation to this matter is appreciated. If we can supply additional information concerning these CWP modifications, please contact me or Gary Pierson at AEPCO (602-269-3415, ext. 5364).

Very truly yours,

GALLAGHER & KENNEDY, P.A.

A handwritten signature in black ink, appearing to read "Michael M. Grant", with a long horizontal flourish extending to the right.

By:

Michael M. Grant

MMG/plp
10421-56/2688182

Attachments

cc (w/attachment): Steve Olea, Director, Utilities Division

Original and 13 copies filed with Docket
Control this 16th day of March, 2011.

EXHIBIT A

**Arizona Electric Power Cooperative, Inc.
Summary of Revisions to Projects in R8 Loan
2009-2011 Construction Work Plan**

	Project Name	Projects Authorized Per Decision No. 71111	Amendments to Projects and Costs
1	ST2/3 Limestone Mill Addition	\$6,200,000	\$6,200,000
2	ST2/3 GSU Transformer Critical Spare	\$4,061,000	\$4,061,000
3	ST2 Boiler Cleaning Upgrades	\$2,350,000	\$2,350,000
4	ST3 Gas Recirculation Fan Replacement	\$2,135,000	\$2,135,000
5	ST3 Boiler Cleaning Upgrades	\$2,100,000	\$2,100,000
6	ST3 SDAS Tower Outlet Duct/Damper Upgrade	\$1,660,000	\$1,660,000
7	ST2 SDAS Tower Outlet Duct/Damper Upgrade	\$1,650,000	\$0
8	ST2/3 Precipitator Performance Improvement	\$970,000	\$970,000
9	ST3 Stack Liner Coating Upgrade, 2009	\$930,000	\$930,000
10	ST2/3 Ash Line Piping Replacement	\$908,000	\$908,000
11	ST3 Turbine Control System Upgrade	\$850,000	\$850,000
12	GT4 Catalyst Replacement	\$759,000	\$0
13	ST2 Bottom Ash Hopper Reline Upgrade	\$615,000	\$746,000
14	ST3 LP3 Feedwater Heater Upgrade	\$600,000	\$600,000
15	Coal Feeder and Conveyor Upgrades	\$580,000	\$580,000
16	ST3 Bottom Ash Hopper Reline Upgrade	\$579,000	\$579,000
17	ST3 Classifier Replacement	\$575,000	\$575,000
18	ST2 Classifier Replacement	\$553,500	\$0
19	3A Scrubber Tower Shelf & Bowl Upgrade	\$535,000	\$535,000
20	2B Scrubber Tower Shelf & Bowl Upgrade	\$520,000	\$520,000
21	3B Scrubber Tower Shelf & Bowl Upgrade	\$506,000	\$506,000
22	ST2/ST3 Mercury Reduction		\$598,000
23	3A/3B Coal Piping Elbow Upgrades		\$504,000
24	Plant Upgrades/Improvements under \$500,000 individually (b)	\$6,395,500	\$8,650,600
	CWP Total	\$36,032,000	\$36,557,600 (a)

(a) These are cost estimates; AEPCO expects the actual costs of construction to be less.
Decision No. 71111 only authorized financing in an amount up to \$36,032,000, and in no event will AEPCO's borrowing under the R8 loan exceed that Commission-approved amount.

(b) See Exhibit B for detail.

EXHIBIT B

Arizona Electric Power Cooperative, Inc.
Details on Revisions to Plant Upgrades
Exhibit A, Line 25

RUS Code	Project Name	Project Number	Total ACC Authorized Estimate	Application Requested Revisions	Additions, Revisions and/or Changes	Comments
Projects Authorized Per ACC Decision No. 71111						
1200.6	2B Scrubber Tower Shelf & Bowl Upgrade	CAPG1.00830	\$520,000	\$520,000		
1200.13	ST3B Mill Trunnion Bearings Replacement	CAPG1.00859	\$125,000	\$125,000		
1200.14	Apache Road Paving	CAPG1.00871	\$435,000	\$492,000	\$57,000	Revised Estimate
1200.15	ST2/3 Ash Line Piping Replacement	CAPG1.00872	\$908,000	\$908,000		
1200.16	ST2/3 Event Recorder/Panel Alarm Replacement	CAPG1.00873	\$358,000	\$358,000		
1200.17	GT1 Controls Upgrade	CAPG1.00874	\$350,000	\$350,000		
1200.18	GT3 Controls Upgrade	CAPG1.00875	\$475,000	\$475,000		
1200.19	3A Scrubber Tower Shelf & Bowl Upgrade	CAPG1.00831	\$535,000	\$535,000		
1200.2	ST2/3 GSU Transformer Critical Spare	CAPG1.00632	\$4,061,000	\$4,061,000		
1200.23	ST1 CEM Analyzers & Probes Replacement	CAPG1.00624.010	\$95,000	\$95,000		
1200.24	ST2 CEM Analyzers & Probes Replacement	CAPG1.00624.011	\$120,000	\$120,000		
1200.25	ST3 CEM Analyzers & Probes Replacement	CAPG1.00624.012	\$120,000	\$120,000		
1200.26	ST3 Turbine Control System Upgrade	CAPG1.00642	\$850,000	\$850,000		
1200.27	Coal Handling Washdown System	CAPG1.00661	\$271,000	\$0	(\$271,000)	Removed
1200.28	ST3 SDAS Upper Loop Spray Nozzle Upgrade	CAPG1.00671.011	\$490,000	\$490,000		
1200.29	Coal Feeder and Conveyor Upgrades	CAPG1.00675	\$580,000	\$580,000		
12.3	ST3 BFP Recirc Valve Upgrade	CAPG1.00764.011	\$272,000	\$0	(\$272,000)	Removed
12.31	ST2 LP3 Feedwater Heater Upgrade	CAPG1.00772	\$493,000	\$493,500	\$500	Revised Estimate
1200.32	ST3 Stack Liner Coating Upgrade, 2009	CAPG1.00807	\$930,000	\$930,000		
1200.33	3B Scrubber Tower Shelf & Bowl Upgrade	CAPG1.00829	\$506,000	\$506,000		
1200.34	ST2A Mill Trunnion Bearings Replacement	CAPG1.00855	\$109,500	\$109,500		
1200.35	ST3A Mill Trunnion Bearings Replacement	CAPG1.00858	\$106,000	\$106,000		
1200.36	ST2 Classifier Replacement	CAPG1.00920	\$553,500	\$0	(\$553,500)	Removed
1200.37	ST3 Classifier Replacement	CAPG1.00921	\$575,000	\$575,000		
1200.38	ST3 Electromatic Safety Valve Upgrade	CAPG1.00922	\$121,000	\$121,000		
1200.39	Cathodic Protection Upgrade	CAPG1.00923	\$85,000	\$87,000	\$2,000	Revised Estimate
1200.4	GT4 Catalyst Replacement	CAPG1.00924	\$759,000	\$0	(\$759,000)	Removed
1200.41	2B Circ Water Pump Rebuild	CAPG1.00928	\$230,000	\$230,000		
1200.42	ST3 LP3 Feedwater Heater Upgrade	CAPG1.00938	\$600,000	\$600,000		
1200.43	3B Circ Water Pump Rebuild	CAPG1.00949	\$235,000	\$235,000		
1200.44	ST2 Bottom Ash Hopper Reline Upgrade	CAPG1.00959	\$615,000	\$746,000	\$131,000	Revised Estimate
1200.45	ST3 Bottom Ash Hopper Reline Upgrade	CAPG1.00960	\$579,000	\$579,000		
1200.46	ST3 JEM Meter Upgrade	CAPG1.00969	\$58,000	\$58,000		
1200.47	ST2/3 Lab Sample Coolers Upgrade	CAPG1.00972	\$54,000	\$54,100	\$100	Revised Estimate
1200.48	ST2 Boiler Seal Trough Upgrade	CAPG1.00973	\$136,500	\$289,000	\$152,500	Revised Estimate
1200.49	ST3 Boiler Seal Trough Upgrade	CAPG1.00974	\$132,000	\$236,500	\$104,500	Revised Estimate
1200.5	Misc Minor Capital Expenses 2009	CAPG1.00975	\$300,000	\$0	(\$300,000)	Removed
1200.51	Misc Minor Capital Expenses 2010	CAPG1.00976	\$300,000	\$300,000		
1200.52	Misc Minor Capital Expense 2011	CAPG1.00977	\$300,000	\$300,000		
1200.55	ST1 Sequential Tripping	CAPG1.00981	\$155,000	\$155,000		
1200.56	ST2 SDAS Tower Outlet Duct/Damper Upgrade	CAPG1.00985	\$1,650,000	\$0	(\$1,650,000)	Removed
1200.57	ST3 SDAS Tower Outlet Duct/Damper Upgrade	CAPG1.00986	\$1,660,000	\$1,660,000		
1200.58	ST2 Boiler Cleaning Upgrades	CAPG1.00987	\$2,350,000	\$2,350,000		
1200.59	ST3 Boiler Cleaning Upgrades	CAPG1.00988	\$2,100,000	\$2,100,000		
1200.61	ST3 XFMR Fire Protect Upgrade	CAPG1.00982	\$47,000	\$47,000		
1200.62	ST3 Gas Recirculation Fan Replacement	CAPG1.00877	\$2,135,000	\$2,135,000		
1200.63	ST2/3 Limestone Mill Addition	CAPG1.00998	\$6,200,000	\$6,200,000		
1200.64	ST2/3 Precipitator Performance Improvement	CAPG1.01000	\$970,000	\$970,000		
1200.65	ST2/3 Pulverizer Gearbox Modifications, 2009	CAPG1.01001	\$81,000	\$0	(\$81,000)	Removed
1200.66	ST3 Igniter Scanner Upgrade	CAPG1.01003	\$116,000	\$116,000		
1200.67	Apache Station Roofing Upgrades 2009	CAPG1.01004	\$110,000	\$110,000		
1200.68	Apache Station Roofing Upgrades 2010	CAPG1.01005	\$115,500	\$0	(\$115,500)	Removed
Totals per ACC Decision No. 71111			\$36,032,000	\$32,477,600	(\$3,554,400)	

Arizona Electric Power Cooperative, Inc.
Details on Revisions to Plant Upgrades
Exhibit A, Line 25

RUS Code	Project Name	Project Number	Total ACC Authorized Estimate	Application Requested Revisions	Additions, Revisions and/or Changes	Comments
Projects Authorized Per ACC Decision No. 71111						
New Projects Requested						
1200.72	ST2/3 Turb/Gen Brgs Crit Spare	5-00801		\$248,300	\$248,300	Added
1200.75	ST1 No. 1 Circ Water Pump Rebuild	5-00929		\$150,000	\$150,000	Added
1200.81	ST2/ST3 Mercury Reduction	5-01114		\$598,000	\$598,000	Added
1200.82	ST1 Turbine Blades Replacement	CAPG1.01107		\$300,000	\$300,000	Added
1200.83	ST1 O2 Probes Replacement	5-01118		\$61,000	\$61,000	Added
1200.84	ST2 Oxygen (O2) Probes Replacement	5-01119		\$211,000	\$211,000	Added
1200.85	ST3 O2 Probes Replacement	5-01120		\$217,000	\$217,000	Added
1200.86	ST2/3 Turbine Crossover Bellows Critical Spare	5-01126		\$67,500	\$67,500	Added
1200.9	ST2/3 Conveyor 1 Fire Protection Upgrade	5-01158		\$235,000	\$235,000	Added
1200.91	4A/4B Conveyor Gearbox Critical Spare	5-01159		\$25,000	\$25,000	Added
1200.92	ST2/3 Duct Opacity Monitor Installation	5-01164		\$146,000	\$146,000	Added
1200.99	ST3 SDAS Lower Quench Nozzle Upgrade	5-01178		\$131,000	\$131,000	Added
1200.1	ST3 Large Fan Lube Oil Skids Upgrades	5-01140		\$59,000	\$59,000	Added
1200.101	3A/3B Coal Piping Elbow Upgrades	5-01179		\$504,000	\$504,000	Added
1200.102	ST1 Cold Reheat Attenuator Spray Liner	5-01152		\$167,000	\$167,000	Added
1200.104	ST3 Generator Relay Upgrade	5-01167		\$93,800	\$93,800	Added
1200.105	ST1 Boiler Tube Replacement	5-01165		\$425,000	\$425,000	Added
1200.107	ST3 Generator SCT Replacement	5-01163		\$147,500	\$147,500	Added
1200.109	ST2/3 Chimney Roof Protection	5-01181		\$84,000	\$84,000	Added
1200.11	ST3 Coal Transport Pipe Elbows	CAPG1.00975.010		\$47,000	\$47,000	Added
1200.111	ST1 Hydrogen Coolers	CAPG1.00975.011		\$49,000	\$49,000	Added
1200.112	Engineer Bldg Chiller Unit	CAPG1.00975.012		\$53,000	\$53,000	Added
1200.113	SDAS Control Rm. HVAC Replacement	CAPG1.00975.013		\$17,700	\$17,700	Added
1200.114	Boral Ash Collector I&C Integration	CAPG1.00975.014		\$35,000	\$35,000	Added
1200.115	ST2/3 Coal Handling MCC A/C Replacement	CAPG1.00975.015		\$8,200	\$8,200	Added
Total New Projects				\$4,080,000	\$4,080,000	
Total Projects for Revision				\$36,032,000	\$36,557,600 (a)	\$525,600

(a) These are cost estimates; AEPCO expects actual costs of construction to be less.
Decision No. 71111 only authorized financing in an amount up to \$36,032,000, and in no event will AEPCO's borrowing under the R8 loan exceed that Commission-approved amount.