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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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ACC CORP COMMISSION  
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JUN 20 2012

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IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. E-01575A-08-0328  
 SULPHUR SPRINGS ELECTRIC COOPERATIVE, )  
 INC. FOR A HEARING TO DETERMINE THE ) **REQUEST TO MODIFY**  
 FAIR VALUE OF ITS PROPERTY FOR ) **DECISION NO. 71274**  
 RATEMAKING PURPOSES, TO FIX A JUST )  
 AND REASONABLE RETURN THEREON, TO )  
 APPROVE RATES DESIGNED TO DEVELOP )  
 SUCH RETURN AND FOR RELATED )  
 APPROVALS )

Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) submits the following in support of its request to modify Decision No. 71274.

Background

At the direction of the ACC, SSVEC began offering Time of Use ("TOU") Rates with the 1995 filing of two experimental rate schedules in Decision 59285 (Docket E-01575A-95-005). These rates were made permanent in Decision No. 68849 (Docket E-01575A-03-0465). SSVEC has provided annual reports to the ACC showing the participation rates and associated savings for its TOU customers. Due to the large scope, controversial projects, and complicated issues of the rate case of Decision 71274, provisions to have the reporting requirements of prior Decisions 68849 and 59285 superseded by Decision 71274 were not included in the Commission Order.

1 This is causing SSVEC to make annual reports on rates that are no longer being used to remain  
2 in compliance with these older Decisions. SSVEC requests that Decision No. 71274 be modified  
3 as needed to remove these reporting provisions of prior TOU Decisions for rates no longer in  
4 use.

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6 In Decision No. 71274, SSVEC was ordered to file a plan to increase its residential TOU  
7 participation to 10 percent of the total number of SSVEC's residential customers as follows:  
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9 *IF, after two (2) years from the effective date of this Decision, less than*  
10 *10 percent of the eligible ratepayers are participating in SSVEC Residential*  
11 *TOU plan, we will require SSVEC to file a plan for Commission approval,*  
12 *to increase participation in the Residential TOU plan to at least 10 percent.*

13 SSVEC has filed a report in May of 2012 showing the current participation level in residential  
14 TOU to be 20 customers which is far less than the 10% target (or 4,200 customers) set in the  
15 Decision and therefore submits this request that Decision No. 71274 be modified accordingly.  
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18 In 2010 and 2011, SSVEC spent a total of \$45,000 on advertising our TOU rates to inform our  
19 members that they have a choice in residential rates. Despite this marketing effort, SSVEC  
20 now only has a total of 20 members who are served under the TOU residential rate. Of those  
21 20, ten would have spent less money on the standard residential rate instead of the TOU rate.  
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23  
24 SSVEC's rate structure and climate are very different from the Phoenix area where APS has a  
25 very high percentage of their Customers using the TOU rate option. The differences are as  
26 follows.  
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SSVEC is a not-for-profit electric distribution utility. The current power contract with Arizona Electric Power Cooperative (AEPCO), which provides 80% of its needs, includes demand cost for those peak hours in a high consumption month is as low as \$4.50 per kW which is much less than the IOU peak costs which can exceed \$18 per kW. In addition, there are no seasonal differences in SSVEC's power contract with AEPCO for the price of energy or demand. Oddly enough because a portion of the transmission bill is a fixed cost, the transmission costs on a per kW basis, can be higher in the months with less energy sales. In this instance a TOU rate increases the cost per kW. Since SSVEC does not own any generation assets, there are no market forces driving up peak demand expenses.

SSVEC is a partial requirements member of AEPCO and purchases the peak power in the power market with contracts from competitive suppliers. Since 2009 we have been able to purchase this peak power at rates below our "base power" contract rates from AEPCO and these peak kWh purchases have no demand charge in the purchase cost. The incremental transmission cost from Southwest Transmission Cooperative for these purchased kWh, has been as low as \$4.50 per kW which makes it extremely difficult to design a TOU rate pricing structure that reduces peak demand when there are instances where SSVEC's peak time is when SSVEC is purchasing its "cheapest" power.

1 System peaks are driven by extreme climates. In Phoenix there is a much higher summer  
2 temperature that requires a higher use of A/C. Temperatures in most of SSVEC's service area  
3 are 20 degrees cooler year round than Phoenix with a lower humidity where the use of  
4 evaporative cooling still works.

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6 Based on SSVEC's energy cost and climate, it is not possible for SSVEC to provide a TOU rate  
7 to reach the 10% participation level without discounting the rate to a level where the other  
8 customers in the rate classes would be subsidizing the TOU Customers. SSVEC will continue to  
9 offer a TOU option for those members whose lifestyle and energy conservation practices can  
10 take advantage of the savings in the TOU rate, but not with a rate that is detrimental to other  
11 members in the rate class.  
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#### 13 The Request for Modification

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15 Given its wholesale rate structure, non-for-profit business model, climate differences and  
16 differences from the Investor Owned Utilities (APS and TEP) costs and structures, it is not  
17 possible for SSVEC to reach a 10 percent level of participation without discounting the TOU rate  
18 to a point where other customers of the standard residential rate class would have to subsidize the  
19 TOU Customers. SSVEC's current TOU rates are based on a Cost of Service Study that has  
20 been reviewed by Staff and approved by the Commission in Decision 71274 and provide the best  
21 TOU option at this time. At the time of SSVEC's next Rate Case, SSVEC and the Commission  
22 will again review the TOU rate and provide the best options available based on the most current  
23 costs and rate options.  
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1 WHEREFORE, for the reasons set forth herein, SSVEC respectfully requests that the  
2 Commission issue an Order that:

- 3 1. Removes the 10% participation requirement of Decision No. 71274 and the requirement  
4 for SSVEC to file a new TOU rate plan.
- 5 2. Removes the reporting requirements of Decision No. 66177 (Docket E-01575A-  
6 03-0465) as the experimental TOU rates addressed in Decision No. 66177 have  
7 been made permanent in Decision No. 71274.
- 8 3. Removes the reporting requirements of Decision 68849 (Docket E-0157A-03-  
9 0465) as they have been replaced by Decision 71274
- 10 4. Removes the requirement to file annual reports on the participation level as referenced in  
11 Decision No. 71274.
- 12 5. Allows SSVEC continue to offer the current Time of Use Rates as an option for  
13 SSVEC's customers until its next rate case.
- 14 6. Allows SSVEC to continue the advertising of the current Time of Use Rates in the form  
15 of handouts, flyers, bill stuffers, customer contacts and company website.
- 16 7. Requires SSVEC to include an analysis of TOU rates and to design new TOU rates to  
17 maximize participation without creating subsidies in SSVEC's next rate case.  
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RESPECTFULLY SUBMITTED this 20th day of June 2012

Sulphur Springs Valley Electric Cooperative, Inc.

By JS Blair

Jack Blair  
Chief Member Services Officer

**Original** and thirteen (13) copies filed  
this 20th day of June, 2012, with:

Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

By: JAC