

ORIGINAL FARMERS INVESTMENT



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FARMING AND FARM MANAGEMENT:
SANTA CRUZ VALLEY FARM, AZ
SAN SIMON FARM, AZ
BLUE THREE GROVES, GA



2013 AUG - 1 EST. 1937 A 9 34

THE GREEN VALLEY PECAN COMPANY
THE GREEN VALLEY PECAN STORE
FARMERS WATER CO.

AZ CORP COMMISSION
DOCKET CONTROL

July 26, 2013

Arizona Corporation Commission
1200 W. Washington St
Phoenix, AZ 85007

Re: Docket No. E-01773A-12-0305

RECEIVED

JUL 29 2013

AZ CORP COMM
Director - Utilities

Dear Commission,

As a Sulphur Springs Valley Electric Cooperative member/owner, I would like to present this letter in support of Arizona Electric Power Cooperative (AEP CO) request to lower their rates. I support this for the following reasons;

- Both the Co-ops are member owned and not-for-profit
- It supports the Cooperative Principle to provide power at the lowest possible cost
- Our economy in rural AZ is still trying to recover from the recession and every little bit helps. Lower energy costs even if for only a brief period will help support our economic recovery.
- The decision to ask for a reduction in rates was made by my elected Co-op director and Board.
- Out of State Consultants don't have my best interest at heart.
- Competitive electric rates in the agriculture community are a must. Higher rates will and have driven farmers to look for cheaper sources of power such as natural gas.

Respectfully,

Allen Brandt
General Manager Arizona Farming Operations

cc: Docket Control

Arizona Corporation Commission
DOCKETED

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AEPCO APPLICATION FOR RATE DECREASE
ACC Docket No. E-01773A-12-0305

Arizona Electric Power Cooperative (AEPCO) provides wholesale power to several Arizona cooperatives, including Sulphur Springs Valley Electric Cooperative, Incorporated (SSVEC). SSVEC purchases over 80% of its power from AEPCO. Purchased power is the single largest expense for SSVEC. SSVEC has a purchase power adjustment mechanism that allows it to flow through change its purchased power costs, up or down, as they change and without going through a full rate case.

In July 2012, AEPCO projecting that its costs saving efforts would bear fruit, filed an application with the Corporation Commission, unanimously supported by its member cooperatives, including SSVEC, to reduce the revenues by approximately 2.77% or \$4.287 million and thereby reduce amount its member cooperatives were paying AEPCO for purchased power. A significant portion of these savings will flow to SSVEC and its members.

Consultants hired by the Commission argue the rates should not be reduced, but should remain the same – no decrease at all. They contend that the operating savings AEPCO has experienced may be temporary and should not be passed on to its member cooperatives. Instead AEPCO should simply continue to receive these dollars. The consultants indicate AEPCO needs these additional revenues because (1) AEPCO will need to invest in environmental enhancements to its power plant starting in about 3 years and (2) AEPCO is having difficulty in competing with the prices charged by newer plants that produce power with natural gas. When they made their original recommendation of no increase, AEPCO estimated the environmental additions would cost at least \$190 million. Now, AEPCO has revised the estimate to about \$30 million. Yet the consultants did not change their recommendation. AEPCO and its members also do not understand how keeping rates higher helps AEPCO be more competitive.

While one should not ignore future contingencies, AEPCO and its member cooperatives believe it members and their customers can receive the benefit of its reduced operating costs through lower rates, while future contingencies can and will be addressed. SSVEC asks its customers to support AEPCO's application to reduce their rates 2.77%.