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Arizona Corporation Commission
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OCT 09 2013

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COMMISSIONERS

- BOB STUMP, Chairman
- GARY PIERCE
- BRENDA BURNS
- BOB BURNS
- SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF THE ARIZONA ELECTRIC POWER COOPERATIVE, INC. FOR A HEARING TO DETERMINE THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RETURN THEREON AND TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN

Docket No. E-01773A-12-0305

AEPCO'S EXCEPTIONS TO RECOMMENDED OPINION AND ORDER

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Arizona Electric Power Cooperative, Inc. ("AEPCO" or the "Cooperative") has reviewed the Recommended Opinion and Order ("ROO") of Administrative Law Judge Teena Jibilian, dated October 1, 2013. AEPCO supports the ROO and requests that the Commission approve it with the revisions regarding certain compliance items as described herein.

I. Proof of Notice of ECAR

First, as discussed in Findings 77-79 of the ROO, AEPCO has proposed an Environmental Compliance Adjustment Rider ("ECAR") to address potential future costs associated with the Environmental Protection Agency Regional Haze requirements. Staff suggested and AEPCO agreed that this rate case docket be held open while the parties work together to refine the process for and details of the ECAR. At hearing, AEPCO agreed that a deadline of April 30, 2014 for filing a revised ECAR tariff and plan of administration for Commission approval would provide the Cooperative with sufficient time to work with Staff to address its questions and concerns.

1 The ROO (at Finding 90, Conclusion of Law 10 and the final Ordering Paragraph on
2 page 21) adds a requirement that AEPCO shall provide notice of the ECAR to the customers of
3 its Class A Members; the notice shall include a description of the mechanism and its effects; and
4 the notice shall be in a form acceptable to Staff. AEPCO does not object to the notice
5 requirement. However, in the first Ordering Paragraph on page 22, the ROO requires that
6 AEPCO file proof of the notice by "February 28, 2013." Assuming the reference to 2013 was
7 intended to be 2014, this date is two months before AEPCO is required to file its revised ECAR
8 tariff and plan of administration for Commission approval. AEPCO believes that the customer
9 notice should be provided promptly, but only after AEPCO has actually filed for approval of the
10 revised ECAR. This proposed post-filing notice requirement will ensure that AEPCO and Staff
11 have sufficient time to work on the ECAR mechanism and that the Class A Members' customers
12 receive the most accurate and up-to-date information concerning the mechanism.

13 Therefore, AEPCO requests that the first Ordering Paragraph on page 22 be revised to
14 read as follows:

15 IT IS FURTHER ORDERED that Arizona Electric Power
16 Cooperative, Inc. shall file with the Commission's Docket Control Center, as
17 a compliance item in this matter, proof of the notice ordered in the previous
18 Ordering Paragraph. The proof of notice shall be filed within 30 days of the
19 date upon which AEPCO files its revised ECAR tariff and plan of
20 administration for Commission approval.

19 II. Expiring Purchase Power Contracts

20 AEPCO's second exception concerns two purchase power contracts that expire on
21 October 31, 2014. The ROO addresses these contracts at Findings 80 and 91, Conclusion of Law
22 11 and the final Ordering Paragraph on page 22. As the ROO indicates, after these contracts
23 expire, AEPCO's rates will continue to include charges for these contracts unless the rates are
24

1 revised to remove the costs by Commission order. Accordingly, the ROO provides that the
2 docket will be held open to allow AEPCO to file an application, no later than August 1, 2014, to
3 remove from its rates all costs and charges related to the two expiring purchase power contracts.

4 As indicated in AEPCO's Opening Brief, if Staff's revenue requirements proposal was
5 approved, the party most significantly impacted by these expiring contracts would have been
6 Trico Electric Cooperative, Inc. ("Trico") because, without removal of the contracts from
7 AEPCO's rates, Trico would have been assigned more than \$450,000 in margins associated with
8 the expiring purchase power contracts. In light of the ROO's adoption of AEPCO's revenue
9 requirements proposal, the impact on Trico will be smaller, but it should still be addressed to
10 remove the margins once the contracts expire. Additionally, these purchase power contracts also
11 relate to AEPCO's All-Requirements Members ("ARMs"). Accordingly, the ARMs' rates
12 should be adjusted as well for the effects of the contract expirations.

13 Based on the foregoing, AEPCO requests revisions to the ROO to clarify both the
14 rationale for, and the scope of, the compliance item concerning the expiring contracts.
15 Specifically, AEPCO suggests that the reference to "more than \$450,000 a year" in Finding 80
16 (page 16, line 4) be replaced with the phrase "costs and charges." Also, AEPCO requests that
17 the specific references to Trico be removed from Finding 80 (at page 16, line 6), Finding 91 (at
18 page 18, line 20) and the final Ordering Paragraph on page 22, at line 12. Finally, AEPCO
19 suggests that a reference to the ARMs be added to Finding 80 (at page 16, line 4).

20 Therefore, AEPCO requests that Findings 80 and 91 and the final Ordering Paragraph on
21 page 22 be revised as follows:

22 80. AEPCO notes that rates for Trico and the ARMs include costs
23 and charges for two purchase power agreements that expire in October 2014,
24 and that AEPCO is committed to address this issue with the Commission in

1 2014 to remove the costs and charges related to the contracts from its rates
2 when the contracts expire.⁵⁸ Trico and AEPCO propose that this Decision
3 require AEPCO to file an application in this docket no later than August 1,
4 2014, requesting to remove from its rates all costs and charges related to two
5 purchase power contracts that expire on October 31, 2014, and that this docket
6 be held open for that purpose.⁵⁹

7
8 ...
9 91. Expiring Purchase Power Contracts. Trico and AEPCO's
10 request in regard to the expiring purchase power contracts is reasonable. We
11 will therefore require AEPCO to file an application in this docket no later than
12 August 1, 2014, requesting to remove from its rates all costs and charges
13 related to the two purchase power contracts that expire on October 31, 2014,
14 and that this docket will be held open for that limited purpose.

15
16 ...
17 IT IS FURTHER ORDERED that Arizona Electric Power
18 Cooperative, Inc. shall file, no later than August 1, 2014, with the
19 Commission's Docket Control Center, as a compliance item in this matter, an
20 application requesting to remove from its rates all costs and charges related to
21 the two purchase power contracts that expire on October 31, 2014.

22 AEPCO requests that the Commission enter its Order with the revisions to the ROO
23 described herein.

24 RESPECTFULLY SUBMITTED this 9th day of October, 2013.

GALLAGHER & KENNEDY, P.A.

By 

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Original and 13 copies filed this
9th day of October, 2013 with:

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1 **Copies** of the foregoing delivered
this 9th day of October, 2013 to:

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