

OPEN MEETING



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ORIGINAL

MEMORANDUM

Arizona Corporation Commission

RECEIVED

TO: THE COMMISSION

DOCKETED

2015 NOV -3 P 2: 20

FROM: Utilities Division

NOV 03 2015

DATE: November 3, 2015

DOCKETED BY [Signature]

AZ CORP COMMISSION DOCKET CONTROL

RE: IN THE MATTER OF THE APPLICATION OF SOUTHWEST TRANSMISSION 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-04100A-12-0353)

SUBJECT: APPLICATION FOR APPROVAL OF REVISED TRA RIDER

Background

On September 3, 2015, Southwest Transmission Cooperative, Inc. ("SWTC") filed with the Arizona Corporation Commission ("Commission"), an application for approval of a revised Transmission Revenue Adjustor ("TRA") to go into effect December 1, 2015.

SWTC is a non-profit, transmission-only cooperative formed as part of the restructuring of Arizona Electric Power Cooperative, Inc. ("AEPSCO") in the late 1990s and early 2000s (Decision No. 63868, dated July 25, 2001).¹ In Decision No. 63868, AEPSCO's transmission assets and transmission portion of its Certificate of Convenience and Necessity ("CC&N") were transferred to SWTC. SWTC provides transmission services primarily to its six Class A Member distribution cooperatives, who provide electric service to their retail customers. In addition, SWTC also provides transmission services to the City of Safford and the Town of Thatcher.²

Application

SWTC's TRA and Plan of Administration ("POA") were approved in Decision No. 74172 (October 25, 2013). The TRA provides a mechanism by which transmission network rates can be adjusted down, with Commission approval, to account for the increased revenue from new Firm Point-to-Point contracts. SWTC is then able to pass the rate relief through to its distribution cooperatives without the need for a rate case. The TRA is intended to apply only in the limited circumstance of the addition of a Firm Point-to-Point contract, which is defined as a firm (i.e. includes a monthly capacity charge), as non-energy based, and as having a term of one year or longer. The TRA impacts only two categories of SWTC's rates: the monthly Network Transmission Service ("NTS") revenue requirement and the monthly Mohave 2 NTS revenue requirement. The initial TRA rate was set at \$0.00.

¹ On July 30, 2014, the Commission issued Decision No. 74591 which approved the merger between AEPSCO and SWTC requiring SWTC's tariffs to be refiled under AEPSCO's name. However, the merger has not yet been completed and therefore, AEPSCO and SWTC continue to operate as separate entities.

² The six Class A Member distribution cooperatives are Anza Electric Cooperative, Inc. (located in southern California); Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; Mohave Electric Cooperative, Inc.; Sulphur Springs Valley Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc.

Pursuant to the TRA POA approved in Decision No. 74172, SWTC filed its application to revise its TRA rate reflecting the amount of the downward adjustment to the Network Transmission Services Tariff monthly revenue requirements in the event of SWTC entering into a new, long-term, Point-to-Point ("PTP") contract. The increased PTP transmission service revenues will add to SWTC's PTP revenues and simultaneously reduce the network transmission service revenue requirements approved in the rate case. SWTC recently entered into a new PTP contract with Trico Electric Cooperative, Inc. ("Trico") for undesignated Thornydale load ("PTP Agreement"). The initial reserved transmission capacity for the undesignated load is set at 14 megawatts ("MW") per month at a rate of \$2.572 per kilowatt ("kW") for a total of \$36,008 per month to be applied to each of the NTS revenue requirement and Mohave 2 NTS revenue requirement. Basically, Trico is converting 14 MW of its current load served by the Thornydale Substation to load served under the PTP Agreement.

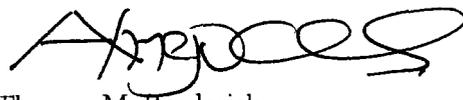
The table below compares the current NTS and Mohave 2 NTS revenue requirements and the reduced revenue requirements.

	Current Revenue Requirement	Reduction	New Revenue Requirement
NTS	\$1,579,106	(\$36,008)	\$1,543,098
Mohave 2 NTS	\$1,260,481	(\$36,008)	\$1,224,473

The revised NTS and Mohave 2 NTS revenue requirements will be spread to all network transmission customers based a revised Load Ratio Share that reduces the total network demand billing units by the total billing units of the Thornydale Substation. The removal of 14 MW from network load that will now be served under the PTP Agreement results in decreased net annual revenues of approximately \$2,000 for SWTC.

Recommendations

Staff has reviewed the SWTC application in conjunction with the contract that was submitted to Staff confidentially. Staff recommends approval of SWTC's revised TRA rider pursuant to Decision No. 74172. In addition, Staff recommends that SWTC file, as a compliance item in this docket, a revised TRA Tariff within 15 days of the effective date of this Decision, reflecting the new revenue requirement.



Thomas M. Broderick
Director
Utilities Division

for

TMB:CLA:nr\BH

ORIGINATOR: Candrea Allen

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BEFORE THE ARIZONA CORPORATION COMMISSION

- SUSAN BITTER SMITH
Chairman
- BOB STUMP
Commissioner
- BOB BURNS
Commissioner
- DOUG LITTLE
Commissioner
- TOM FORESE
Commissioner

IN THE MATTER OF THE APPLICATION
OF SOUTHWEST TRANSMISSION
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-04100A-12-0353
DECISION NO. _____

ORDER

RE: APPLICATION FOR APPROVAL OF
REVISED TRA RIDER

Open Meeting
November 17 and 18, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Transmission Cooperative, Inc. ("SWTC") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On September 3, 2015, SWTC filed with the Arizona Corporation Commission ("Commission"), an application for approval of a revised Transmission Revenue Adjustor ("TRA") Tariff Rider to go into effect December 1, 2015.

3. SWTC is a non-profit, transmission-only cooperative formed as part of the restructuring of Arizona Electric Power Cooperative, Inc. ("AEPCO") in the late 1990s and early

1 2000s (Decision No. 63868, dated July 25, 2001).¹ In Decision No. 63868, AEPCO's transmission
2 assets and transmission portion of its Certificate of Convenience and Necessity ("CC&N") were
3 transferred to SWTC. SWTC provides transmission services primarily to its six Class A Member
4 distribution cooperatives, who provide electric service to their retail customers. In addition, SWTC
5 also provides transmission services to the City of Safford and the Town of Thatcher.²

6 **Application**

7 4. SWTC's TRA and Plan of Administration ("POA") were approved in Decision No.
8 74172 (October 25, 2013). The TRA provides a mechanism by which transmission network rates can
9 be adjusted down, with Commission approval, to account for the increased revenue from new Firm
10 Point-to-Point contracts. SWTC is then able to pass the rate relief through to its distribution
11 cooperatives without the need for a rate case. The TRA is intended to apply only in the limited
12 circumstance of the addition of a Firm Point-to-Point contract, which is defined as a firm (i.e. includes
13 a monthly capacity charge), as non-energy based, and as having a term of one year or longer. The
14 TRA impacts only two categories of SWTC's rates the monthly Network Transmission Service
15 ("NTS") revenue requirement and the monthly Mohave 2 NTS revenue requirement. The initial TRA
16 rate was set at \$0.00.

17 5. Pursuant to the TRA POA approved in Decision No. 74172, SWTC filed its
18 application to revise its TRA rate reflecting the amount of the downward adjustment to the Network
19 Transmission Services Tariff monthly revenue requirements in the event of SWTC entering into a
20 new, long-term, Point-to-Point ("PTP") contract. The increased PTP transmission service revenues
21 will add to SWTC's PTP revenues and simultaneously reduce the network transmission service
22 revenue requirements approved in the rate case.

23 6. SWTC recently entered into a new PTP contract with Trico Electric Cooperative, Inc.
24 ("Trico") for undesignated Thornydale load ("PTP Agreement"). The initial reserved transmission
25

26 ¹ On July 30, 2014, the Commission issued Decision No. 74591 which approved the merger between AEPCO and SWTC
27 requiring SWTC's tariffs to be refiled under AEPCO's name. However, the merger has not yet been completed and
therefore, AEPCO and SWTC continue to operate as separate entities.

28 ² The six Class A Member distribution cooperatives are Anza Electric Cooperative, Inc. (located in southern California);
Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; Mohave Electric Cooperative, Inc.;
Sulphur Springs Valley Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc.

1 capacity for the undesignated load is set at 14 megawatts ("MW") per month at a rate of \$2.572 per
 2 kilowatt ("kW") for a total of \$36,008 per month to be applied to each of the NTS revenue
 3 requirement and Mohave 2 NTS revenue requirement. Basically, Trico is converting 14 MW of its
 4 current load served by the Thornydale Substation to load served under the PTP Agreement.

5 7. The table below compares the current NTS and Mohave 2 NTS revenue requirements
 6 and the reduced revenue requirements.

	Current Revenue Requirement	Reduction	New Revenue Requirement
8 NTS	\$1,579,106	(\$36,008)	\$1,543,098
9 Mohave 2 NTS	\$1,260,481	(\$36,008)	\$1,224,473

10 8. The revised NTS and Mohave 2 NTS revenue requirements will be spread to all
 11 network transmission customers based a revised Load Ratio Share that reduces the total network
 12 demand billing units by the total billing units of the Thornydale Substation. The removal of 14 MW
 13 from network load that will now be served under the PTP Agreement results in decreased net annual
 14 revenues of approximately \$2,000 for SWTC.

15 Recommendations

16 9. Staff has reviewed the SWTC application in conjunction with the contract that was
 17 submitted to Staff confidentially. Staff has recommended approval of SWTC's revised TRA Rider,
 18 pursuant to Decision No.74172. In addition, Staff recommends that SWTC file, as a compliance item
 19 in this docket, a revised TRA Tariff within 15 days of the effective date of this Decision, reflecting the
 20 new revenue requirements.

21 CONCLUSIONS OF LAW

22 1. Southwest Transmission Cooperative, Inc. is a public service corporation within the meaning
 23 of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

24 2. The Commission has jurisdiction over Southwest Transmission Cooperative, Inc. and the
 25 subject matter of the request addressed herein.

26 3. Staff's recommendations specified in Finding of Fact No. 8 are reasonable and should be
 27 adopted.

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ORDER

IT IS THEREFORE ORDERED that the Southwest Transmission Cooperative, Inc. revised Transmission Revenue Adjustor Tariff Rider be and hereby is approved, as discussed herein.

IT IS FURTHER ORDERED that Southwest Transmission Cooperative, Inc. shall file, as a compliance item in this docket, a revised Transmission Adjustor Tariff within 15 days of the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2015.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:CLA:nr/BH

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