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BEFORE THE ARIZONA CORPORATION COMMISSION
Arizona Corporation Commission

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COMMISSIONERS

DOUG LITTLE – Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

DOCKETED

APR 22 2016

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
TRICO ELECTRIC COOPERATIVE, INC., AN
ARIZONA NONPROFIT CORPORATION, FOR AN
EXTENSION OF ITS CERTIFICATES OF
CONVENIENCE AND NECESSITY IN AREAS OF
PINAL COUNTY, ARIZONA.

DOCKET NO. E-01461A-15-0292

DECISION NO. 75513

OPINION AND ORDER

DATE OF HEARING: February 25, 2016
PLACE OF HEARING: Tucson, Arizona
ADMINISTRATIVE LAW JUDGE: Jane L. Rodda
APPEARANCES: Jason Gellman, SNELL & WILMER LLP, on behalf of
Trico Electric Cooperative, Inc.;;
Court Rich, ROSE LAW GROUP PC, on behalf of
Canada Partners, LP, Intervenor; and
Charles Hains, Staff Attorney, Legal Division on behalf
of the Arizona Corporation Commission Utilities
Division.

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona
Corporation Commission (“Commission”) finds, concludes, and orders that:

FINDINGS OF FACT

Procedural History and Background

1. On August 14, 2015, Trico Electric Cooperative, Inc. (“Trico” or “Cooperative”) filed
with the Commission an Application for an extension of its Certificate of Convenience and Necessity
 (“CC&N”) to serve a portion of Pinal County, Arizona (“Application”).

2. On December 14, 2015, the Commission’s Utilities Division (“Staff”) notified the
Cooperative that its Application met the sufficiency requirements as outlined in the Arizona

1 Administrative Code (“A.A.C.”) R14-2-202.

2 3. By Procedural Order dated December 15, 2015, procedural guidelines were established
3 and the matter was set for hearing to commence on February 25, 2016.

4 4. On January 6, 2016, Trico filed a Notice of Filing Affidavit of Mailing and Publication
5 which indicated that notice of the hearing in this matter was published in *The Daily Territorial*, on
6 December 30, 2015, and mailed to the property owners in the proposed extension area on December
7 22, 2015.

8 5. On February 5, 2016, Canada Partners, LP (“CP”) filed an Application for Leave to
9 Intervene. CP is the owner of the land to be developed as Sundance Ridge which forms a portion of
10 Trico’s extension request. Intervention was granted to CP on February 22, 2016.

11 6. On February 11, 2016 Staff filed its Staff Report, recommending approval of the
12 Application.

13 7. The hearing convened on February 25, 2016, before a duly authorized Administrative
14 Law Judge (“ALJ”) at the Commission’s Tucson office. Ms. Karen Cathers, the Cooperative’s Chief
15 Operating Officer, testified for Trico. Mr. Zachary Branum, Staff Engineer, and Mr. Richard Lloyd,
16 Utilities Analyst, testified for Staff. Following the hearing, the ALJ took the matter under advisement
17 pending issuance of the Recommended Opinion and Order.

18 8. Trico is a non-profit, member-owned electric distribution cooperative, which provides
19 electric service to approximately 43,370 meters over 3,711 miles of distribution lines and 31 miles of
20 transmission lines.

21 9. Staff reports that Trico is in compliance with Commission Orders.

22 Requested Extension

23 10. The requested extension area is located approximately 35 miles northwest of Tucson, in
24 Pinal County, Arizona, and includes portions of two master planned communities known as Sundance
25 Ridge and SaddleBrooke Unit 45.

26 11. Sundance Ridge is a master planned community comprising approximately 1,650 acres.
27 The current application seeks to include approximately 330 acres of the initial phase of the Sundance
28 Ridge project within Trico’s service area. CP owns the land that is Sundance Ridge and CDO Ranch is

1 the developer of the project.¹

2 12. The SaddleBrooke Unit 45 parcel comprises approximately 51 acres and is the latest
3 section to be developed in the SaddleBrooke master planned community. SaddleBrooke Development
4 Company is the developer of the SaddleBrooke Unit 45.

5 13. A legal description of the entire proposed extension area is attached herinto as Exhibit
6 A ("Extension Area").

7 14. Trico received an Application for Line Extension from CDO Ranch for a service line
8 extension to the Sundance Ridge project. Separately, Trico received a request from SaddleBrooke
9 Development Company on August 5, 2015, for extension of electric service to the SaddleBrooke Unit
10 45 project.

11 15. Trico currently provides service to the earlier phases of the SaddleBrooke development,
12 and the Cooperative's existing 25kV facilities are sufficient to provide service to the SaddleBrooke
13 Unit 45 project.²

14 16. Trico anticipates that it will need to construct approximately 0.45 miles of off-site
15 underground 25kV facilities to serve the Sundance Ridge project. The extension of service to the
16 Sundance Ridge project will require pulling new conductors within existing spare underground
17 conduits. Trico estimates the cost to extend service to Sundance Ridge to be approximately \$40,000.
18 Trico states that it can obtain financing for the new facilities from the U.S Department of Agriculture,
19 Rural Utilities Service ("RUS"), the National Rural Utilities Cooperative Finance Corporation, and
20 from the application of its Rules, Regulations and Line Extension Policies.

21 Staff's Analysis

22 17. Trico's annual report to the RUS for the year ending December 2014 indicates that Trico
23 had net margins of \$9.94 million on revenues of \$87.2 million. The annual RUS report shows that at
24 the end of 2014, Trico had long-term debt of \$114.8 million which comprised 56.2 percent of total

25 ¹ Thirty acres of the Sundance Ridge development is already within Trico's service area. Trico formerly held a CC&N to
26 serve the area encompassing the Sundance Ridge development, but the area was deleted on the assumption that the San
27 Carlos Irrigation Project ("SCIP") would serve the area. As part of this proceeding, SCIP submitted a letter to the Sundance
28 Ridge developer, dated September 4, 2014, stating that SCIP does not have the capacity to serve the development and has
no opposition to Trico providing service to the area. See Application at Exhibit 2 and Attachment A, Engineering Report to
Staff Report at pages 1-2.

² Ex S-1 Attachment A at 3.

1 capital of \$204.2 million. Staff termed the Cooperative “highly leveraged” but states that many
 2 cooperatives carry high proportions of debt in their capital structures because they can avail themselves
 3 of low-interest loans and do not have the pressure to pay dividends to shareholders.

4 18. Staff believes that the financial effects on Trico of serving the Extension Area will be
 5 de minimus.

6 19. Staff’s analysis indicates that from 2010 through 2014, Trico has an acceptable level of
 7 system losses consistent with industry guidelines, and that Trico has a satisfactory record of service
 8 interruptions which reflects satisfactory quality of service.

9 20. Staff concludes that Trico is operating and maintaining its electrical system properly
 10 and is carrying out system improvements, upgrades and new additions to meet the current and projected
 11 load of the Cooperative in an efficient and reliable manner.³ Staff believes that the improvements,
 12 system upgrades, and new construction are reasonable and appropriate, but Staff made no “used and
 13 useful” determination of the proposed new construction and system upgrades and states that no
 14 particular treatment should be inferred for ratemaking or rate base purposes in the future.

15 21. Staff concludes that Trico is a fit and proper entity to provide electric service to the
 16 Extension Area.⁴

17 22. Staff recommends that Trico’s Application be approved as submitted and that it charge
 18 its approved rates and charges in the Extension Area until further order of the Commission.

19 Resolution

20 23. Trico has demonstrated that it provides safe and reliable service in its existing CC&N
 21 territory, that there is a need for electric service in the proposed Extension Area, and that the
 22 Cooperative is a fit and proper entity to serve the Extension Area.

23 CONCLUSIONS OF LAW

24 1. Trico is an Arizona public service corporation within the meaning of Article XV,
 25 Section 2, of the Arizona Constitution and A.R.S. §§ 40-202, 40-281, and 40-282.

26 2. The Commission has jurisdiction over Trico and over the subject matter of the
 27

28 ³ Ex S-1 Attachment A at 6.

⁴ Ex S-1 at 2.

1 Application.

2 3. Notice of the Application was provided as required by law.

3 4. There is a public need and necessity for electric service in the Extension Area set forth
4 in Exhibit A.

5 5. Trico is a fit and proper entity to receive a CC&N to provide electric service in the
6 Extension Area and it is in the public interest to extend Trico's service area as requested in the
7 Application.

8 **ORDER**

9 IT IS THEREFORE ORDERED that the application of Trico Electric Cooperative, Inc. for an
10 extension of its Certificate of Convenience and Necessity to provide electric service in Pinal County
11 for that property described in Exhibit A hereto, is approved.

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1 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall charge its authorized
2 rates and charges in the Extension Area until further order of the Commission.

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

5 *[Handwritten signature: O. Blitt]*
6

EXCUSED
COMM. STUMP

7 CHAIRMAN _____ COMMISSIONER _____

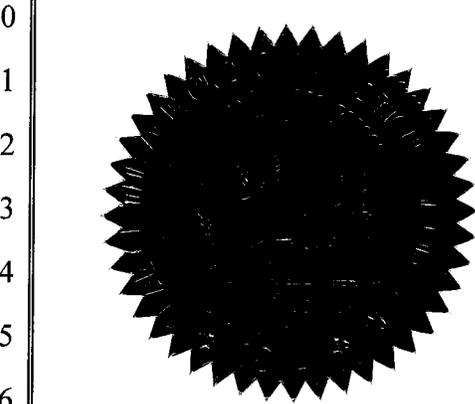
8 *[Handwritten signature: M. J. ...]*

9 COMMISSIONER

[Handwritten signature: L. M. ...] *[Handwritten signature: ...]*

COMMISSIONER

COMMISSIONER



11 IN WITNESS WHEREOF, I, JODI JERICH, Executive Director
12 of the Arizona Corporation Commission, have hereunto set my
13 hand and caused the official seal of the Commission to be affixed
14 at the Capitol, in the City of Phoenix, this 22nd day
15 of April 2016.

[Handwritten signature: Jodi Jerich]

JODI JERICH
EXECUTIVE DIRECTOR

17 DISSENT _____

19 DISSENT _____

JR:rt

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1 SERVICE LIST FOR:

TRICO ELECTRIC COOPERATIVE, INC.

2 DOCKET NO.:

E-01461A-15-0292

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22 Phoenix, Arizona 85007

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EXHIBIT A**Sundance Ridge Development Proposed Extension Area****PARCEL NO. 1:**

That portion of the Southeast quarter of Section 14, and the Southwest quarter of Section 13, all in Township 10 South, Range 14 East of the Gila and Salt River Meridian, Pinal County, Arizona, described as Follows:

BEGINNING at the Northwest corner of the Southeast quarter of said Section 14;

THENCE North 89 degrees 23 minutes 44 seconds East, along the North line of said Southeast quarter, a distance of 2632.28 feet to the Northeast corner of the Southeast quarter of said Section 14;

THENCE North 88 degrees 59 minutes 04 seconds East, along the North line of the Southwest quarter of said Section 13, a distance of 1500.00 feet;

THENCE South 01 degrees 37 minutes 58 seconds East, a distance of 767.47 feet;

Thence South 88 degrees 59 minutes 04 seconds West, a distance of 1500.00 feet to a point on the West line of said Section 13;

Thence South 89 degrees 23 minutes 44 seconds West, a distance of 2644.03 feet to a point on the West line of the Southeast quarter of said Section 14;

Thence North 00 degrees 45 minutes 17 seconds West, along said line, a distance of 767.35 feet to the POINT OF BEGINNING;

EXCEPT all coal and other minerals as reserved by the United States of America in the Patent to said land.

PARCEL NO. 2:

That portion of the Southeast quarter of Section 14, Township 10 South, Range 14 East of the Gila and Salt River Meridian, Pinal County, Arizona, described as follows:

COMMENCING at the Southeast corner of said Section 14;

THENCE North 07 degrees 09 minutes 35 seconds West, 701.50 feet to the TRUE POINT OF BEGINNING;

THENCE North 88 degrees 39 minutes 49 seconds West, 2598.16 feet to a point on the West line of the Southeast quarter of said Section 14;

THENCE North 00 degrees 45 minutes 19 seconds West along the West line of the Southeast quarter of Section 14, 1215.90 feet;

THENCE North 89 degrees 23 minutes 44 seconds East, parallel with and 767.35 feet South of the North line of the Southeast quarter of Section 14, 2449.39 feet;

THENCE South 07 degrees 12 minutes 14 seconds East, 825.04 feet;

Thence South 07 degrees 09 minutes 35 seconds East, 487.50 feet to the POINT OF BEGINNING;

EXCEPT all coal and other minerals as reserved by the United States of America in the Patent to said land.

PARCEL NO. 3:

That portion of the Southeast quarter of Section 14, and the Southwest quarter of Section 13, all in Township 10 South, Range 14 East of the Gila and Salt River Meridian, Pinal County, Arizona, described as follows:

BEGINNING at the Southeast corner of said Section 14;

THENCE North 07 degrees 09 minutes 35 seconds West, a distance of 1189.00 feet;

THENCE North 89 degrees 26 minutes 55 seconds East, a distance of 2744.26 feet to a point on the East line of the Southwest quarter of Section 13;

THENCE South 01 degrees 41 minutes 45 seconds East, a distance of 1182.20 feet to the Southeast corner of the Southwest quarter of Section 13;

THENCE South 89 degrees 28 minutes 03 seconds West, a distance of 2631.04 feet to the Southwest corner of Section 13 and the POINT OF BEGINNING;

EXCEPT all coal and other minerals as reserved by the United States of America in the Patent to said land.

PARCEL NO. 4:

That portion of the Southeast quarter of Section 14 and the Southwest quarter of Section 13, all in Township 10 South, Range 14 East of the Gila and Salt River Meridian, Pinal County, Arizona, described as follows:

BEGINNING at the Northeast corner of the Southwest quarter of Section 13;

THENCE South 01 degrees 41 minutes 45 seconds East, along the East line of said Southwest quarter, a distance of 1608.61 feet;

THENCE South 89 degrees 26 minutes 55 seconds West, a distance of 2744.26 feet;

THENCE North 07 degrees 12 minutes 14 seconds West, a distance of 825.04 feet;

THENCE North 89 degrees 23 minutes 44 seconds East, a distance of 194.64 feet to a point on the common Section line between Sections 13 and 14;

THENCE North 88 degrees 59 minutes 04 seconds East, a distance of 1500.00 feet;

THENCE North 01 degrees 37 minutes 58 seconds West, a distance of 767.47 feet to a point on the North line of the Southwest quarter of Section 13;

THENCE North 88 degrees 59 minutes 04 seconds East, along the North line of the Southwest quarter of Section 13, a distance of 1127.64 feet to the POINT OF BEGINNING;

EXCEPT all coal and other minerals as reserved by the United States of America in the Patent to said land.

PARCEL NO. 5:

That portion of the South half of the Southeast quarter of Section 14, Township 10 South, Range 14 East of the Gila and Salt River Meridian, Pinal County, Arizona, described as follows:

BEGINNING at the Southeast corner of said Section 14;

THENCE Westerly along the South Section line of Section 14, a distance of 2673.5 feet;

THENCE North 00 degrees 45 minutes 19 seconds West, a distance of 698.33 feet;

THENCE South 88 degrees 39 minutes 49 seconds East, a distance of 2598.16 feet;

THENCE South 07 degrees 09 minutes 35 seconds East, a distance of 701.50 feet to the POINT OF BEGINNING.

EXCEPT all coal and other minerals as reserved by the United States of America in the Patent to said land.

SaddleBrooke Unit 45 Proposed Extension Area

A parcel of land situated within SADDLEBROOKE UNIT FORTY-FIVE (45) recorded in Cabinet G Slide 158 dated January 8, 2007 and a parcel of land situated within SADDLEBROOKE UNIT FORTY-THREE (43) recorded in Cabinet D Slide 200 dated October 8, 2003 and a parcel of land situated within SADDLEBROOKE UNIT FORTY-TWO (42) recorded in Cabinet D Slide 59 dated May 5, 2002 all records of Pinal County Recorder's Office, Pinal County Arizona, in Township 10 South, Range 14 East Section 13, Gila and Salt River Base and Meridian, Pinal County Arizona more particularly described as follows;

Beginning at the South Quarter Corner of said Section 13, said point being the TRUE POINT OF BEGINNING;

Thence North 00 degrees 23 minutes 15 seconds West a distance of 1744.59 feet;

Thence North 89 degrees 00 minutes 57 seconds East a distance of 1287.50 feet;

Thence South 00 degrees 08 minutes 11 seconds West a distance of 1697.27 feet;

Thence South 86 degrees 52 minutes 03 seconds West a distance of 1273.37 feet to the TRUE POINT OF BEGINNING.