

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

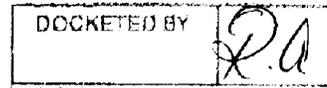
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AZ CORP COMMISSION
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TO: THE COMMISSION

OCT 12 2016

FROM: Utilities Division



2016 OCT 12 A 9:22

DATE: October 12, 2016

RE: IN THE MATTER OF THE APPLICATION OF SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF A NEW CONTRACT POWER RATE UNDER SCHEDULE CP FOR APACHE NITROGEN PRODUCTS, INC. (DOCKET NO. E-01575A-16-0262)

INTRODUCTION

Enclosed are the Commission Staff's memorandum and proposed order for Sulphur Springs Valley Electric Cooperative, Inc.'s application for approval of a new Contract Power rate under Schedule CP for Apache Nitrogen Products, Inc. (Docket No. E-01575A-16-0262). This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's proposed order.

You may file comments to the recommendation(s) of the proposed order by filing an original and thirteen (13) copies of the comments with the Commission's Docket Control Center at 1200 W. Washington St., Phoenix, AZ 85007 by 4:00 p.m. on or before October 24, 2016.

This matter may be scheduled for Commission deliberation at its Open Meetings scheduled **October 27, 2016**, at 10:00 a.m. and **October 28, 2016**, at 10:00 a.m.

If you have any questions about this matter, please contact Candrea Allen of our Staff at (602) 364-0235, or Thomas Broderick, Director, at (602) 542-7270.

BACKGROUND

Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative") is an Arizona member-owned non-profit cooperative. SSVEC provides electric distribution service in parts of Cochise, Santa Cruz, Pima, and Graham counties. Per Arizona Administrative Code ("A.A.C.") R14-2-103(A)(3)(q), SSVEC is classified as a Class A Utility.

On July 27, 2016, SSVEC filed with the Arizona Corporation Commission ("Commission") an application for approval of a proposed Contract Power Agreement ("Contract") between SSVEC and Apache Nitrogen Products, Inc. ("ANPI") under Schedule CP. Schedule CP is available to customers who have a monthly demand greater than one megawatt ("MW") and whose rate is then customized based on the cost to serve a particular customer.

CONTRACT

ANPI is a manufacturer of ammonium nitrate-based products used mainly in mining and agriculture. The ANPI facility is located near Benson, Arizona. The proposed Contract would replace the prior 15-year contract that was approved by the Commission in Decision No. 64644 (March 25, 2002). The prior contract expired in May 2016, and ANPI is currently being served under the standard offer tariff Schedule IP. Using historical consumption data for the most recent 12 months available, SSVEC indicated that ANPI would have paid an average of \$0.08047 per kWh (excluding the Wholesale and Purchased Power Adjustor) under the current tariff Schedule IP if the usage remained the same. The proposed Contract would become effective the first full billing cycle after approval from the Commission. According to SSVEC, without the proposed contract, ANPI could invest in self-generation.

Under the proposed Contract, ANPI would pay a monthly Service Availability Charge of \$9,000; an energy charge of \$0.0555 per kilowatt-hour ("kWh") for the first 400 kWh/kW of demand and \$0.0355 for all excess kWh; and a demand charge of \$9.00 per kilowatt ("kW") based on 1) the Contract minimum of 1.8 MW or 2) the actual demand which will consist of the highest 30 minute kW demand during the billing period. ANPI currently has a demand of 1.8 MW with anticipated growth in the next 24 months. SSVEC's Commission approved Wholesale and Purchase Power Adjustor would also apply. SSVEC has indicated to Staff that Section 7 of the proposed Contract incorrectly references a minimum demand of 1800 kilovolt-ampere ("KVA") rather than kW and that it is the desire and intent of SSVEC and ANPI to bill on a per kW basis as referenced in Section 5 of the proposed Contract.

According to the proposed Contract, the contract rate is essentially a discounted version of Schedule IP, to take into account the lower cost to serve due to the unique nature of the service. During the life of the Contract, should SSVEC file with the Commission for a change in Schedule IP, the Contract will be amended to reflect any updated costs to serve and submitted for Commission approval. SSVEC states that neither it nor ANPI wish to enter into a long-term contract. The proposed Contract would be for a term of no more than 12 months and would renew automatically in 12-month increments until the 90-day notice to terminate the Contract is exercised by either party.

Using historical consumption data for the most recent 12 months available, SSVEC indicated that ANPI would pay an average of \$0.06917 per kWh (excluding the Wholesale and Purchased Power Adjustor) under the proposed Contract if the usage remained the same. The revenues to be received by SSVEC under the proposed Contract would cover the Cooperative's cost of providing electric service.

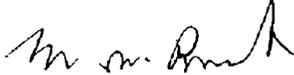
THE COMMISSION

October 12, 2016

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RECOMMENDATIONS

Staff recommends approval of the proposed Contract between SSVEC and ANPI.



Thomas M. Broderick

Director

Utilities Division

TMB:CLA:red\RWG

ORIGINATOR: Candrea Allen

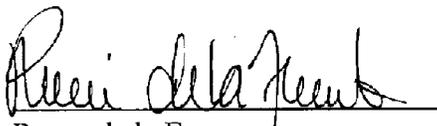
Sulphur Springs Valley Electric Cooperative, Inc.
Docket No. E-01575A-16-0262

On this 12th day of October, 2016, the foregoing document was filed with Docket Control as a Utilities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

Mr. David Bane
Key Account Manager
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Sierra Vista, Arizona 85635

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
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Phoenix, Arizona 85007

Mr. Thomas M. Broderick
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By: 
Renee de la Fuente
Administrative Support Specialist

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BEFORE THE ARIZONA CORPORATION COMMISSION

- DOUG LITTLE
Chairman
- BOB STUMP
Commissioner
- BOB BURNS
Commissioner
- TOM FORESE
Commissioner
- ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION
OF SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC. FOR
APPROVAL OF A NEW CONTRACT
POWER RATE UNDER SCHEDULE CP
FOR APACHE NITROGEN PRODUCTS,
INC.

DOCKET NO. E-01575A-16-0262
DECISION NO. _____
ORDER

Open Meeting
October 27 and 28, 2016
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. SSVEC is an Arizona member-owned non-profit cooperative. SSVEC provides electric distribution service in parts of Cochise, Santa Cruz, Pima, and Graham counties. Per Arizona Administrative Code ("A.A.C.") R14-2-103(A)(3)(q), SSVEC is classified as a Class A Utility.

3. On July 27, 2016, SSVEC filed with the Arizona Corporation Commission ("Commission") an application for approval of a proposed Contract Power Agreement ("Contract") between SSVEC and Apache Nitrogen Products, Inc. ("ANPI") under Schedule CP. Schedule CP is available to customers who have a monthly demand greater than one megawatt ("MW") and whose rate is then customized based on the cost to serve a particular customer.

1 **Contract**

2 4. ANPI is a manufacturer of ammonium nitrate-based products used mainly in mining
3 and agriculture. The ANPI facility is located near Benson, Arizona. The proposed Contract would
4 replace the prior 15-year contract that was approved by the Commission in Decision No. 64644
5 (March 25, 2002). The prior contract expired in May 2016, and ANPI is currently being served under
6 the standard offer tariff Schedule IP. Using historical consumption data for the most recent 12
7 months available, SSVEC indicated that ANPI would have paid an average of \$0.08047 per kWh
8 (excluding the Wholesale and Purchased Power Adjustor) under the current tariff Schedule IP if the
9 usage remained the same. The proposed Contract would become effective the first full billing cycle
10 after approval from the Commission. According to SSVEC, without the proposed contract, ANPI
11 could invest in self-generation.

12 5. Under the proposed Contract, ANPI would pay a monthly Service Availability Charge
13 of \$9,000; an energy charge of \$0.0555 per kilowatt-hour ("kWh") for the first 400 kWh/kW of
14 demand and \$0.0355 for all excess kWh; and a demand charge of \$9.00 per kilowatt ("kW") based on
15 1) the Contract minimum of 1.8 MW or 2) the actual demand which will consist of the highest 30
16 minute kW demand during the billing period. ANPI currently has a demand of 1.8 MW with
17 anticipated growth in the next 24 months. SSVEC's Commission approved Wholesale and Purchased
18 Power Adjustor would also apply.

19 6. SSVEC has indicated to Staff that Section 7 of the proposed Contract incorrectly
20 references a minimum demand of 1800 kilovolt-ampere ("KVA") rather than kW and that it is the
21 desire and intent of SSVEC and ANPI to bill on a per kW basis as referenced in Section 5 of the
22 proposed Contract.

23 7. According to the proposed Contract, the contract rate is essentially a discounted
24 version of Schedule IP, to take into account the lower cost to serve due to the unique nature of the
25 service. During the life of the Contract, should SSVEC file with the Commission for a change in
26 Schedule IP, the Contract will be amended to reflect any updated costs to serve and submitted for
27 Commission approval. SSVEC states that neither it nor ANPI wish to enter into a long-term contract.
28 The proposed Contract would be for a term of no more than 12 months and would renew

1 automatically in 12-month increments until the 90-day notice to terminate the Contract is exercised by
2 either party.

3 8. Using historical consumption data for the most recent 12 months available, SSVEC
4 indicated that ANPI would pay an average of \$0.06917 per kWh (excluding the Wholesale and
5 Purchased Power Adjustor) under the proposed Contract if the usage remained the same. The
6 revenues to be received by SSVEC under the proposed Contract would cover the Cooperative's cost
7 of providing electric service.

8 **Recommendations**

9 9. Staff has recommended approval of the proposed Contract between SSVEC and
10 ANPI.

11 CONCLUSIONS OF LAW

12 1. Sulphur Springs Valley Electric Cooperative, Inc. is a public service corporation within
13 the meaning of Article XV, of the Arizona Constitution.

14 2. The Commission has jurisdiction over Sulphur Springs Valley Electric Cooperative,
15 Inc. and the subject matter of the application.

16 3. The Commission, having reviewed the application and Staff's memorandum dated
17 October 12, 2016, concludes that it is in the public interest to authorize Sulphur Springs Valley
18 Electric Cooperative, Inc.'s contract with Apache Nitrogen Products, Inc.

19 ORDER

20 IT IS THEREFORE ORDERED that the proposed Contract between Sulphur Springs Valley
21 Electric Cooperative, Inc. and Apache Nitrogen Products, Inc. be and hereby is approved.

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IT IS FURTHER ORDERED that approval of the Contract at this time does not guarantee any future rate-making treatment of the Contract between Sulphur Springs Valley Electric Cooperative, Inc. and Apache Nitrogen Products, Inc.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN LITTLE

COMMISSIONER STUMP

COMMISSIONER FORESE

COMMISSIONER TOBIN

COMMISSIONER BURNS

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 _____, 2016.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:CLA:red/RWG

1 SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative, Inc.
2 DOCKET NO. E-01575A-16-0262

3 Mr. David Bane
4 Key Account Manager
5 Sulphur Springs Valley Electric Cooperative, Inc.
6 311 East Wilcox
7 Sierra Vista, Arizona 85635

8 Ms. Janice M. Alward
9 Chief Counsel, Legal Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

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