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BEFORE THE ARIZONA CORPORATION COMMISSION

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TOM FORESE
Chairman
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
ANDY TOBIN
Commissioner
BOYD DUNN
Commissioner

Arizona Corporation Commission
DOCKETED
APR 11 2017
DOCKETED BY
GB

IN THE MATTER OF THE APPLICATION)
OF THE ARIZONA ELECTRIC POWER)
COOPERATIVE, INC. TO REDUCE)
CERTAIN RATES UNDER ITS ANCILLARY)
SERVICE TARIFF)

DOCKET NO. E-01773A-17-0061
DECISION NO. 76061
ORDER

Open Meeting
April 5 and 6, 2017
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Electric Power Company, Inc. ("AEPCO") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. AEPCO is a not-for-profit, generation and transmission cooperative that was initially granted a Certificate of Convenience and Necessity ("CC&N") by the Commission in Decision No. 33677, dated February 13, 1962. AEPCO provides generation and transmission services to three all-requirements distribution cooperative members (Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; and Anza Electric Cooperative, Inc.)¹ ("ARM" or collectively "ARMS") and three partial-requirements distribution cooperative members (Mohave Electric Cooperative, Inc.; Sulphur Springs Valley Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc.) ("PRM" or collectively "PRMs"). The ARMs receive all of their power and energy needs from

¹ Anza Electric Cooperative is located in southern California.

1 AEPCO while each PRM only commits to purchase a fixed amount of capacity from AEPCO and
2 may secure additional power and energy from other sources. AEPCO’s board members consist of
3 officers from each Class A member cooperative.

4 3. In the early 2000s, AEPCO was restructured to create a separate, affiliated entity,
5 Southwest Transmission Cooperative, Inc. (“SWTC”) that assumed ownership and operational control
6 of AEPCO’s transmission assets. In 2016, AEPCO and SWTC merged back into a single entity, with
7 AEPCO as the surviving generation and transmission cooperative.²

8 4. Prior to the AEPCO/SWTC merger, the Commission approved SWTC’s Ancillary
9 Services Tariff in Decision No. 74172 (October 25, 2013). As part of the merger approval, the
10 Commission’s Decision No. 74591 (July 30, 2014) also authorized AEPCO to re-issue SWTC’s tariffs
11 under the AEPCO name.

12 **Application**

13 5. On February 28, 2017, AEPCO filed an application with the Commission requesting a
14 reduction to certain rates under its Ancillary Services Tariff. AEPCO reevaluated three categories of
15 service under the Ancillary Services Tariff. Due to recent developments in the requirements for
16 AEPCO’s participation in the Southwest Reserve Sharing Group (“SRSG”), AEPCO concluded that
17 three ancillary service rates should be reduced.

18 6. AEPCO is proposing a reduction in rates under Schedule 3 (Regulation and Frequency
19 Response Service), Schedule 5 (Operating Reserve - Spinning Reserve Service), and Schedule 6
20 (Operating Reserve - Supplemental Reserve Service) as follows:

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28 ²Commission Decision No. 74591.

Service	Current Rate	Revised
Schedule 3 Regulation and Frequency Response Service	0.2575 \$/kW Mo.	0.1852 \$/kW Mo.
Schedule 5 Operating Reserve – Spinning Reserve Service	0.7157 \$/kW Mo.	0.1348 \$/kW Mo.
Schedule 6 Operating Reserve – Supplemental Reserve Service	0.4959 \$/kW Mo.	0.1157 \$/kW Mo.

7. As noted in the application, AEPCO's Board of Directors and its Operating Committee unanimously approved the proposed rate reductions.

8. As requested by AEPCO, the proposed rate reductions would become effective on April 1, 2017.

9. Staff has reviewed AEPCO's application in terms of whether there are fair value implications. In Decision No. 74173, the Commission determined the fair value rate base to be \$261,075,032. According to AEPCO's Financial and Operating Report filed with the Commission, as part of its 2015 annual report (filed May 2016) as of December 31, 2015, the net value of AEPCO's plant was \$240,574,408. Staff considered both of these values for purposes of this analysis. Staff believes that the impact to AEPCO's revenue, fair value rate base, or rate of return would be negligible.

Recommendations

10. Staff reviewed AEPCO's application and has recommended approval to reduce certain rates under the Ancillary Services Tariff.

11. Staff believes that an effective date of April 1, 2017, is appropriate, and therefore has recommended approval.

12. Staff has recommended that AEPCO file with Docket Control, as a compliance item, a revised Ancillary Services Tariff, consistent with the Decision in this matter within fifteen (15) days of the effective date of the Decision.

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CONCLUSIONS OF LAW

1. Arizona Electric Power Cooperative, Inc. is a public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Arizona Electric Power Cooperative, Inc. and the subject matter of this application.

3. The Commission, having reviewed the application and Staff's memorandum dated March 22, 2017, concludes that it is in the public interest to approve Arizona Electric Power Cooperative, Inc.'s reduction of certain rates under its Ancillary Services Tariff.

ORDER

IT IS THEREFORE ORDERED that Arizona Electric Power Cooperative, Inc. proposed reduction of certain rates under its Ancillary Services Tariff are hereby approved as discussed herein.

IT IS FURTHER ORDERED that the Ancillary Services Tariff rate reductions shall become effective as of April 1, 2017.

1 IT IS FUTHER ORDERED that Arizona Electric Power Cooperative, Inc. shall file with
2 Docket Control, as a compliance item, a revised Ancillary Service Tariff, consistent with the Decision
3 in this matter within fifteen (15) days of the effective date of the Decision.

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

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

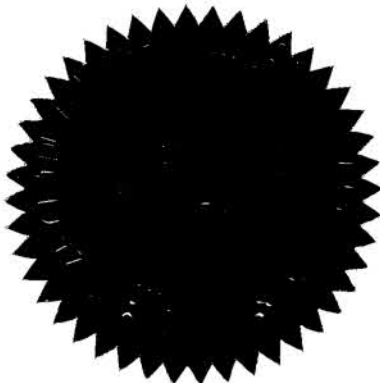
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8 CHAIRMAN FORESE


COMMISSIONER DUNN

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11 COMMISSIONER TOBIN


COMMISSIONER LITTLE


COMMISSIONER BURNS



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13 IN WITNESS WHEREOF, I, TED VOGT, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of
17 Phoenix, this 11th day of APRIL, 2017.

18 
19 TED VOGT
20 EXECUTIVE DIRECTOR

21 DISSENT: _____

22 DISSENT: _____

23 EOA:PJG:red/CHH
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1 Arizona Electric Power Cooperative, Inc.
2 Docket No. E-01773A-17-0061

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