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To: Docket Control
From: Molly Johnson 
Date: May 26, 2004
Re: Chantel v. Mohave Electric Cooperative, Inc.
E-01750A-03-0373

The Hearing Division discovered today that Complainants in this case failed to docket their Closing Brief.

Attached please find what we believed to be our courtesy copy of Complainants' Closing Brief received December 26, 2003. Please docket it.

Thank you.

Arizona Corporation Commission
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to the Administrative Judge in a way as to label Mr. Chantel as radical or uncooperative. Visionaries see wrongs and what kind of effects these wrongs will cause in the future. They try to reduce the harsh catastrophic effects that they believe the people will experience.

Most utility companies have a standard procedure for line extensions and the ACC may perceive Mohave's line extensions as standard. The experiences encountered by the people that have applied for line extensions are far from standard. I, Mr. Chantel, am going try and give the readers of this brief a little example of what people experience when they apply for a line extension through Mohave.

When an applicant has a parcel that they would like to have electrical service to, they call Mohave and then are referred to the engineering department. In most cases they will get a letter starting out by saying, "In accordance with Mohave Electric Cooperative's line extension rules and regulations on file with the Arizona Corporation Commission..." They enclose an Engineering Service Contract for a detailed design and cost estimate. The letter is marked as Exhibit C-4 Labeled Exhibit A. If the applicant wants to be considered for service, they must sign said contract and pay \$500.00. We are assuming the rules mentioned are Mohave's Rules and Regulations, Subsection 106-A 2(b), which requires a deposit be submitted to Mohave. Mohave also has a rule stating that an applicant can request a preliminary sketch and rough estimate without charge. Mohave has also created another category called "Engineering Design Survey". In Exhibit C-4 Labeled Exhibit F, this Engineering Design Survey costs \$1,500 to \$2,000. Complainants are confused as to which rules and regulations or tariffs apply to these costs and question exactly what a person is to receive when they pay these additional costs.

Mr. Longtin was questioned about what the difference was between a free cost estimate outlined in Mohave's Rules and Regulations as Subsection 106 A 2 (a) and one that an applicant pays an engineering fee of \$500.00 for in Mohave's Rules and Regulations Subsection 106 A 2 (b). Court Reporter's Report (hereinafter referred to as CRR) Vol. II Page 382 lines 5 through 10, Mr. Longtin states that the applicant would not receive any more detailed information than what he would receive on a free estimate. In 1999 Complainants paid \$500.00 for and received an Engineering Design Survey, Exhibit C-3, showing the beginning and the end of the line extension, the rights-a-ways the line extension would be located in, and other detailed information for a line extension they applied for. Mohave has reduced their line extension map to the kind of maps they have presented in MEC Exhibits -1 and 2 for the same cost. Mr. Longtin also testified, CRR Vol. II Page 251 lines 6 through 18, that there is no difference between a \$500.00 Detailed Design Survey and an Engineering Design Survey. In the complainant's line extension, they paid \$500.00 for a detailed survey. Mohave stated in Exhibit C-4 Labeled Exhibit F Page 2 in II Paragraph 3, that they would charge another \$1,500.00 to \$2,000.00 for the same job, so they can more accurately estimate the cost, yet Mr. Longtin testified that there is no difference, expect the size of the job. There are a number of reasons why they over charge new customers.

The ACC has granted Mohave certified territory. Mohave's management is not planning for growth, so their management diverts all extra money in maintaining low rates for old members and receives benefits for that. This is a vast area of concern and only a small portion is being addressed in this brief.

The Complainants claim that Mohave has not kept up with growth. This is just one small part of how the management runs this cooperative. Mr. Longtin testified that Mohave gets 50 to 100 requests per month for line extensions. Mohave has the installation capacity to install somewhere from 3 to 12 line extensions per month, depending on the size. Because Mohave can only install a small number of these line extension requests, they require an applicant to pay them \$500.00. This procedure eliminates some of those requests. Mohave then would send a letter and a contract for billing actual cost. Most of the time Mohave's actual cost are 30% to 40% over the real cost. Mohave will only consider placing service to an applicant's parcel if the real cost plus overcharges are paid to Mohave up front. Mohave's management has chosen to take advantage of their certified territory right by overcharging customers. Mohave uses open-end contracts and misrepresents the ACC rules to support their actions. Many times the line will run in front or in back of the applicant's property. If Mohave determines it's a line extension, an applicant has to pay \$500.00. In most cases an applicant doesn't know what they are being charged for because they only receive an open-end contract. Mr. Longtin testified that applicants only receive a contract. Neither the applicant nor an examiner has any idea how much the applicant is being overcharged because Mohave omits information regarding the cost of the line extension. In many cases Mohave charges an engineering fee, line extension cost, then a drop fee, and sometimes they have other fees or restrictions that add more cost to receiving service.

The Ceci's testified about how they were treated unjustly and unfairly by the changing and altering of their contract. They shared that after they had paid the amount requested by Mohave for their line extension, how Mohave added additional fees and charges and said these fees and charges would have to be paid as well before Mohave would consider installing service. Even though the Ceci's paid the actual requested amount of money, Mohave tried to extort more money from them.

RULES

The Complainants along with Rebecca Grady and Leon Banta filed a request to have electric extended to their property located on Grub Stake Road. They signed an Engineering Service Contract Design Services, Exhibit C-4 Labeled Exhibit C. **This contract was for a detailed design and cost estimate to provide a 14.4kv single phase overhead electric backbone distribution line to Sunny Highlands Estates Lots 66, 108, and 109, ACC R14-2-207 A-3 and Mohave Rules and Regulations Subsection 106-A-2(b) states that utilities can charge a fee when an applicant requests a utility to prepare detailed plans, specifications, or cost estimates. The Complainants entered into an agreement with Mohave. If the utility enters into a written agreement with the applicant, ACC R14-2-207-B and Mohave Rules and Regulations Subsection 106-A-3, it states that there are minimum written requirements. One of the requirements is a**

description and sketch of the requested line extension. There are a number of reasons why this is written in the law. With the description and the sketch (map) showing the location of poles, lines and service drops the applicant can see if the utility is placing the lines in the location that the applicant is requesting his line extension for. Mohave testified that they created a detailed map and each pole was staked and recorded on a map. Neither the complainants nor the court has seen a map showing the location of the poles or what side of the street the poles would be located on or the distance from pole to pole. Maybe Mohave is just claiming a map exists.

Mohave has a large number of ways that they over charge applicants for line extensions. I will detail a few that are evidenced in this line extension.

1. Mr. Longtin testified that they make copies of local area maps. They carefully select maps that don't show the footage that the applicant is being charged for or they supply a sketch (map) that does not show footage. See Mohave sketch (map) MEC 1 and 2. Mr. Longtin testified that many times they do not provide a map or sketch of the line extensions.
2. They alter or change contracts at will. Complainants entered into an ENGINEERING SERVICES CONTRACT for service to Lots 66,108 and 109, Exhibit C-4 Labeled Exhibit C. In Exhibit C-4 Labeled Exhibit E, you can see that Mohave changed the contract to include Lots 65, 121, 132,133, 134. They increased the engineering design to include these 5 extra lots. The complainants will not receive any benefits by Mohave over sizing this line extension.
3. OVER SIZING OF LINE EXTENSIONS Exhibit C-4 Labeled Exhibit E, Agreement for Constructing Electric Facilities within an Abandoned Subdivision, clearly states that this contract is for 2,009 feet of overhead line. Complainants submitted Sunny Highlands Estates survey map Exhibit C-5 showing that the footage is approximately 1,688 to the north end corner of Lot 108. Exhibit C-5 shows a line extension with 4 poles used to extend power to Lot 108. Mr. Longtin testified that this system was designed to have a pole on lot corners. If you look at Exhibit C-5 you can see it is possible to build this line extension with 5 poles by placing poles on lots corners. If you look at Exhibit C-4 Labeled Exhibit F, Estimated Material List, you will see that Mohave is charging this line extension for 9 poles. That is 4 extra poles. When you subtract the labor and material cost for these extra poles, it could reduce this line extension cost by over \$6,000.00.

Mohave overcharges applicants by adding additional footage and materials. They overcharge applicants by over sizing facilities and charging the applicants. ACC R14-2-207-3 and Mohave rules and regulations 106-A 2-b states that over sizing will be done at the utilities expense.

One of the minimum requirements in ACC R 14-2-207 B is a summary of the results of the economic feasibility analysis performed by the utility. The economic feasibility analysis is clearly established in ACC R14-2-207 C-2. This rule addresses a number of issues.

1. The maximum footage and equipment allowance that is provided by the utility at no charge does not require an economic feasibility analysis. If a utility charges a fee for line extensions or service drops, then the utility is required to perform an economic feasibility analysis.
2. AAC R14-2-206 B Service lines 2 (a) says each utility shall file in Docket Control, for Commission approval, a service line tariff which defines the maximum footage or equipment to be provided by the utility at no charge.....

Mohave failed to perform a number of the minimum written agreement requirements stated in ACC 14-2-207 B.

Complainants claim they did not receive a copy of the line extension tariffs as stated in ACC R14-2-207 A-4. This rule appears to be clear. "Where the utility requires an applicant to advance funds for a line extension, the utility **shall** furnish the applicant with a **copy** of the line extension tariffs....". In CRR Vol. II Page 254 line 6 through 13, Mohave stated that they allow applicants to review the tariffs in their office. In CRR Vol. II Page 255 lines 8 through 18, Mohave stated they do not provide a copy to the applicant. Mohave stated that if an applicant wants their own set of copies of the tariffs, it is the ACC's responsibility to provide an applicant with copies of the tariffs. Mohave's interpretation and requirements of reviewing these rules in their office in Bullhead City, which is a 200 mile round trip drive for some applicants, is just one of the many ways that Mohave discriminates against the people in this out lying area. Mohave's management continuously makes claims that their interpretations and rules take precedent over the Administrative Code, CRR Vol. II Page 253 lines 4 through 8.

In the issue regarding footage allowances provided by the utility, Mohave makes many references to abandoned subdivisions or broken subdivisions. They create a number of definitions. They claim they use county definitions of what a subdivision is, yet Mohave did not provide this court with any exhibit proving why Complainant's parcels did not qualify for footage allowance other than that they claimed these parcels were in a subdivision. If you look at the truth that the law represents, you will find that the actions of the ACC and the laws as they have been written are in unison and have been applied in an equitable manner. Mohave does not have a definition of a subdivision in their rules and regulations. Since the ACC is the regulating authority in this case, it appears that their definition of a residential subdivision should be used. If you look at Mohave's Service Rules and Regulations Section 107 it states, CONSTRUCTION OF DISTRIBUTION FACILITIES WITHIN RESIDETIAL SUBDIVISIONS. Mohave claims that the ACC worked with them to develop Subsection 107-D, which they claim is the foundation for them not granting the complainant footage allowances. Mr. Longtin testified that Mohave's rules and regulations Subsection 107 D was written for the portion of Valle Vista's 4,000 lots that have underground service. In CRR Vol. II Page 345 lines 3 through 5, Mr. Longtin testified that Valle Vista lots are less than one acre. When the ACC assisted Mohave in writing Subsection 107-D, the ACC complied with their own definition of a subdivision, which is defined in ACC R14-201-34. Because Mohave's management needed more money and does not want to raise the old members' rates, they have reinterpreted this rule to fit their needs. The Complainants have

submitted evidence in C-4 Labeled Exhibit G, which shows that the parcel sizes are greater than one acre and these parcels do not meet the definition of a Residential Subdivision. Mohave claims they have the permission of the ACC to apply this rule to lots over one acre in size. The issue of whether an ACC member actually gave Mohave permission to redefine ACC R14-201-34 can be addressed in a rehearing.

One of the issues in this complaint is the amount of advancement in funds that the applicant has to pay. Mohave may not have a rule addressing this issue, but the ACC does: R14-2-207 B-1-I. It states a summary of their results of the economic feasibility analysis performed by the utility to determine the amount of advance required from the applicant for the proposed line extension. If Mohave had this rule in their rules and regulations it would have eliminated most of the conflicts in this case. Since they do not have this rule in their rules and regulations, the ACC's rule should apply.

As the line extension rules exist, they are unfair and unjust. In most cases the person applying for line extension pays the major cost of supplying electric to the area and property owners that come in later and request electric from this line extension pay very little or nothing on the line extension. In compliance with the ACC's requests for a solution to some of the injustices, as a visionary, I see that changes must be made to reduce the unfairness that exists in line extensions in general. There are a number of solutions that could be implemented. I am suggesting one that is beneficial to all parties. There is a big need for this change since many of the big ranchers have sold their property and the need for line extensions is growing by 100's of per cent each year. Below is a suggestion as to how line extensions could supply consumers with electrical service.

This is the Complainant's vision of how electricity should be supplied. I, Mr. Chantel, believe that consumers should have a choice when they apply for a line extension. Consumers should have the right to enter into a Supply Line Contract. Definition: Supply lines are not service lines. Service lines supply electric to individual consumers. Supply lines are electric lines that run in front of the consumer's property. Supply line contracts are different in the sense that charges are levied on the property and not the consumer. Let's say that the ACC ruled that Mr. Rolling had the right to receive service. A line feasibility analysis would be performed. It would show a number of different routes the power could be brought into his residence. In this case the longest route would be more feasible. In a Supply Line Contract every property owner would share the cost. The analysis performed would use these guidelines. Cost of line is paid back over a thirty year life span of the line. Research shows that payments of less than \$10.00 per month are not environmentally or economically feasible, so a minimum payment of \$10.00 per month paid by each property owner was set to be paid for this supply line extension. This line extension would pass 40 to 50 parcels. Let's say that only 40 people signed the Supply Line Contract and the route chosen to supply Mr. Rolling is approximately 14,300 feet. Let's say the cost to install the back bone line is \$3.00 per foot. The total cost for the back bone line would be \$42,900.00. The reason for taking the longer route is so that more property owners can be included in the Supply Line Contract. If each parcel owner pays the minimum of \$10.00 per month over a life expectancy of 30 years, the total

revenue would be \$144,000.00. If you take away the 10% supply line tariff, it would leave \$129,600.00. Now if you subtract the cost of installing the supply line, you have \$86,700.00 net revenue. Note this does not include any electric revenue that Mohave will receive from this line. This is a very high return on investment and a high revenue return on such a small supply line. I selected the one that I thought was the most beneficial to all of the parties involved. The utility company will generate additional revenue when it starts servicing electric to these consumers. Rules have different qualifying standards. Rules that give consumers a choice as to how to manage their affairs are rated much higher than restrictive rules. In this case, the consumer should have to right to transfer their Supply Line Contract to a service contract by applying for electrical service, either as a permanent or temporary customer, which would null and void the Supply Line Contract, providing that the service customer would maintain a hook-up for at least one year. The property owners that did not sign the Supply Line Contract should be treated fairly by allowing them to pay all the back charges plus a set interest rate and a \$700.00 administrative fee to qualify to gain access to this supply line. It is the Complainant's opinion that 10% of this charge would be part of the tariff on this line. The Complainants believe, based on the fact that the ACC is the authoritative party in this complaint and administers these rules and regulations that they deserve to have some benefits. The wording could be developed at a later date. The principal is that the ACC would have a direct or indirect interest in said supply lines. We are saying that the interest would be 10% of payment, it could be less.

TARIFFS

ACC R14-2-201 -42 defines a Tariff as: The documents filed with the Commission which lists the services and products offered by the utility and which set forth the terms and conditions and a schedule of the rates and charges, for those services and products.

ACC R14-2-206 B-2(a) says each utility shall file, in Docket Control, for Commission approval, a service line tariff which defines the Maximum footage or equipment allowance to be provided by the utility at no charge.

Mohave claims that service line drops are charged at the rate outlined in Exhibit C-4 Labeled Exhibit F Page2, Estimate of Drop Costs. It states that the customer will be charged \$400.00 for the first 80 feet of service. It does not say whether the 80 feet of line starts at the customer's property line or whether it starts at Mohave's supply line. If you have a 60 foot wide street and the lines are on the far side of the street you would only have 20 feet of line on your property. This is not enough distance to satisfy most zoning required set backs. It is necessary to completely define all conditions and requirements each applicant must meet and the cost of each condition.

ACC R14-2-207 C-1 and 2 gives the utility full control of service lines and line extensions that are provided to the customer at no cost. If Mohave is charging for its service line extension then are they liable to file an Economic Feasibility Analysis on service line extensions that they are charging for?

Complainants could not find any service line tariffs. Mohave claims that Exhibit MEC-14 Staking Technicians Training outline is used for their guidelines for qualifying applicants for service. Applicants have a difficult time and stay in a state of confusion because Mohave's management continually changes the interpretation of rules and regulations. Example: In MEC Exhibit 14 states that qualifying applicants for residential service must have a septic tank, a slab or mobile home, and a meter pole. In C-4 Labeled Exhibit F Page 3, Mohave redefines these proposed rules as:

1. A minimum of 400 square feet with respect to a concrete foundation with footing or a mobile home (set off its wheels and axles-Motor homes, 5th wheels and travel trailers do not qualify)
2. A septic tank
3. An existing meter pole

Number one is completely different than that description in MEC-14. The point here is that Mohave appears to be practicing an economic discrimination and restricting service from property owners that are trying to live on site while they are planning to build a more appropriate structure to live in.

ACC R14-2-207 Line Extension A-1 says each utility shall file, in Docket Control, for Commission approval, a line extension tariff which incorporates the provision of this rule and specifically defines the conditions governing line extensions.

Conclusions

Complainants feel that Mohave should comply with the rules and regulations as they have been written. Mohave should be penalized somewhere between 1.8 million and 5.7 million for their unfair, unjust and discriminatory actions. Mohave should be ordered to install Mr. Ceci's line extension, allow Mr. Rolling to become a member and supply electrical service to him when he requests it, supply the applicants with electric at a fair and just price, and grant them line extension footage.

As a visionary I can see that this complaint extends far beyond the few rules and regulations that are mentioned in this complaint. And I can see the injustices and the unfair treatment to the people in this service area have not been truly presented. The issue of Mohave's management over charging new customers in this area has been mentioned, but not thoroughly investigated. The idea and concept of a Cooperative's management developing a system that allows the management to receive benefits when old members are rewarded with low rates, may be new to the ACC. The decision and action of the ACC could cause some large rippling effects to the cooperative members, the complainants, and in the political circles. As a visionary I see that Mohave management's philosophy must be changed from its present philosophy of benefits to management to a philosophy of service to the customer.

The ACC has the right and responsibility to take action to correct any rule and change the management and old direction to a new customer service orientated Cooperative if the

ACC finds that any kind of unfairness, injustice, discrimination, overcharging, or charging tariffs or implying conditions on services render that is not filed with the ACC.

How can this be done?

A small insight to Mohave's operating system. Over the years Mohave's management has developed what I will call a cash revenue supply system. They have created procedures, policies, concepts and beliefs that they are right in what they are doing regardless of who they hurt. In general they have developed a system that brings in large amounts of cash. This cash is hard to trace because it comes from engineering fees that are not refunded, requiring full cash up front deposits, keeping this cash as long as they can without providing a service, as well as over charging consumers. These are just a few of the ways that cash is generated. Rates have not been raised for 12 to 13 years and the cost of operating the Cooperative is rising. The management at Mohave is finding new ways to over charge its customers. It is failing to provide money for new customer growth. One of these areas is the need to expand its line extension crews, so new customers can receive service at comparable rates with other utilities. Mohave has a huge resource it can draw from. Mohave is a member of a federally funded agency called the Rural Utility Service. This agency provides money for rural line extensions into private properties. As long as Mohave has the right to extract cash from the consumers it will not change.

Changing Mohave to a customer service cooperative.

First the ACC has to have the opportunity and the authority to examine Mohave's management policies. This can be done by ruling on the above issues. Second the ACC needs some power and needs to levy a large fine. This fine is designed in such a manner as to give the ACC flexibility to work in. One area of flexibility would be that if Mohave works with the ACC and complies with all of the orders, the fine would be suspended. Next the ACC needs to change Mohave's cash management system to a service system. The ACC can order Mohave to stop charging tariffs on a service that has not been approved by the ACC. The ACC can order the closing of open-end contracts. This means that applicants are granted standard contracts, which normally have terms or 10% down and balance due on delivery of product. The price in these contracts would be the actual price paid. The ACC could suggest or order Mohave to supply the Ceci's with power. The reason for this order is that it will save the members hundreds of thousands of dollars in legal fees and judgments. If the ACC can find justification to rule that Mohave has to supply handicapped and economically deprived members with service, this would allow Mohave to apply for hardship line extension loans from the Rural Utility Service at low or no interest rates. These procedural changes would reduce Mohave's reliance on this cash system. When that happens, the new customer service system would start to evolve.

Mohave relies on the overcharging of revenue. It is important that the ACC assist the management in bringing about a small rate increase. This will help management change from a cash system to a customer service system. If the ACC takes all the over charging

away from Mohave, this rate increase may have to be backed up by another small rate increase at the end of the probation period. This second rate increase may be the ACC's only assurance that Mohave's management is on the right road. The ACC may want to work with Mohave on redesigning line extensions to something that would be fair to all property owners and that the cost of the line extension would be equally divided amongst all the property owners.

I have supplied some directions on line extensions in this brief. As a visionary I see this as fair and equitable to all parties of said complaint.

May GOD grant you the authority, wisdom and understanding of the issues in this case.

Respectfully submitted by:


Roger Chantel

Copies of the foregoing were mailed/delivered this 24th day of December, 2003.

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