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BEFORE THE ARIZONA CORPORATION COMMISSION

320

COMMISSIONERS

- JEFF HATCH-MILLER, CHAIRMAN
- WILLIAM A. MUNDELL
- MARC SPITZER
- MIKE GLEASON
- KRISTIN K. MAYES

IN THE MATTER OF THE COMPLAINT OF  
MOHAVE ELECTRIC COOPERATIVE, INC.  
AGAINST UNISOURCE ENERGY  
CORPORATION.

DOCKET NO. E-01750A-04-0798  
E-04204A-04-0798  
E-04230A-04-0798

IN THE MATTER OF THE APPLICATION  
OF UNS ELECTRIC, INC. FOR AN ORDER  
APPROVING A TRANSFER OF A PORTION  
OF A CERTIFICATE OF CONVENIENCE  
AND NECESSITY.

DOCKET NO. E-04204A-04-0824  
DOCKET NO. E-01750A-04-0824

**NOTICE OF FILING DIRECT  
TESTIMONY OF AARON  
STALLINGS ON BEHALF OF  
MOHAVE ELECTRIC  
COOPERATIVE, INC. IN SUPPORT  
OF THE STIPULATION AND  
PROPOSED RESOLUTION**

AZ CORP COMMISSION  
DOCUMENT CONTROL

2005 JUN 24 P 3:49

RECEIVED

Arizona Corporation Commission

DOCKETED

JUN 24 2005

DOCKETED BY

KN

1 Notice is given that Mohave Electric Cooperative, Inc. ("MEC") has  
2 this date filed the direct testimony of Aaron Stallings in the above-captioned dockets in  
3 support of the Stipulation and Proposed Resolution previously filed jointly by MEC and  
4  
5 UNS Electric, Inc.

6 RESPECTFULLY SUBMITTED this 24<sup>th</sup> day of June, 2005.

7  
8 CURTIS, GOODWIN, SULLIVAN,  
9 UDALL & SCHWAB, P.L.C.

10 By: 

11 Michael A. Curtis  
12 William P. Sullivan  
13 2712 North 7th Street  
14 Phoenix, Arizona 85006-1090  
15 Attorneys for Mohave Electric  
16 Cooperative, Inc.

17 PROOF OF AND CERTIFICATE OF MAILING

18 I hereby certify that on this 24th day of June, 2005, I caused the foregoing  
19 document to be served on the Arizona Corporation Commission by delivering the original  
20 and seventeen (17) copies of the above to:

21 Docket Control Division  
22 ARIZONA CORPORATION COMMISSION  
23 1200 West Washington Street  
24 Phoenix, Arizona 85007

25 **With copies of the foregoing mailed**  
26 **this 24<sup>th</sup> day of June, 2005 to:**

1 Jason Gellman, Esq.  
2 Legal Division  
3 ARIZONA CORPORATION COMMISSION  
4 1200 West Washington Street  
5 Phoenix, Arizona 85007

6 Ernest Johnson  
7 Director, Utilities Division  
8 ARIZONA CORPORATION COMMISSION  
9 1200 West Washington Street  
10 Phoenix, Arizona 85007

11 Thomas H. Campbell, Esq.  
12 Lewis & Roca LLP  
13 40 N. Central Ave.  
14 Phoenix, AZ 85004-4429  
15 Attorneys for UNS Electric, Inc.

16 Michelle Livengood  
17 Legal Department  
18 Tucson Electric Power Company  
19 One South Church Avenue  
20 PO Box 711  
21 Tucson, Arizona 85702-3664  
22 Attorneys for UNS Electric, Inc.

23 Terrence G. O'Hara  
24 Vice President Western Division  
25 Central Trucking Inc.  
26 11930 N. Hartman Dr.  
Edinburgh, IN 46124

Chris Hastings

1234\7-46(Unisource\_CTI)\Pleadings\Notice of Filing Testimony.DOC

PRE-FILED TESTIMONY OF  
AARON STALLINGS  
ON BEHALF OF  
MOHAVE ELECTRIC COOPERATIVE, INC.  
In Docket Numbers E-04230A-04-0798; E-04204A-04-0798;  
E-04230A-04-0798; E-01750A-04-0824 and E-04204A-04-0824

Q: What is your name and business address?

A: My name is Aaron Stallings and my business address is 1999 Arena Drive,  
Bullhead City, Arizona.

Q: By whom and in what capacity are you employed?

A: I am employed by Mohave Electric Cooperative, Inc. ("Mohave") as its Manager  
of External Affairs.

Q: On whose behalf and for what purpose are you testifying in this proceeding?

A: I am testifying on behalf of Mohave in support of the Joint Stipulation and  
Proposed Resolution filed on June 15, 2005 on behalf of Mohave and UNS  
Electric, Inc. ("UNS") in these dockets (the "Joint Stipulation").

Q: I show you what has been marked as Mohave Exhibit No. 1 (attached hereto as  
Exhibit AS-1) and ask you if it is a true and correct copy of the Stipulation,  
including Exhibit A and B thereto?

A: Yes it is.

Q: Would you briefly explain the nature of the proposed resolution set forth in  
Stipulation?

A: The parties propose to resolve the pending matters by transferring a portion of  
Mohave's certificate of convenience and necessity ("CC&N") to UNS subject to  
payment by UNS to Mohave and transfer by Mohave to UNS of certain electric  
facilities Mohave has installed in the area. The portion to be transferred upon  
payment to Mohave is the area certificated to Mohave pursuant to Decision No.  
58798 except the plant site depicted on Exhibit A to the Stipulation. The portion

of Mohave's CC&N containing the plant site would automatically be transferred to UNS the earlier of December 31, 2010 or upon six months notice by Mohave that it is no longer able to meet the electric service needs of the plant.

Q: What electric facilities will UNS be purchasing under the Stipulation?

A: The electric facilities are set forth on Exhibit B to the Stipulation. They can be described generally as approximately a mile of distribution facilities, including a transformer and appurtenant facilities. They were installed by Mohave about ten years ago so Mohave could provide service to various retail customers in the area, the most significant of which was Roadrunner Trucking that operated a trucking facility very similar to that recently proposed by CTI. Mohave is selling the facilities "as is," but has agreed to assign or quit claim any easements it has obtained directly related to these facilities, as well as to secure any necessary releases from Mohave's lenders.

Q: What is the purchase price of the facilities UNS has agreed to pay?

A: \$48,070.00. This amount reflects the original book value of the facilities being purchased less ten years of depreciation computed on a straight-line basis over the estimated average life of 35 years.

Q: Please explain how the proposed resolution set forth in the Stipulation is in the public interest?

A: UNS and Mohave have filed competing requests for relief with the Commission. Both utilities believe their positions have merit and neither waived any arguments they may have by submitting the Stipulation. Both utilities recognize that unless a mutually acceptable resolution is reached, Mohave, UNS, Commission Staff and possibly others, will expend significant resources preparing for and participating in hearings and possible appeals. The question of who will ultimately serve the area may be unresolved for a number of years while the matter is litigated before

the Commission and the courts. Development of the area, which appears to be on the verge of taking off, could be adversely affected.

On the other hand, the proposed resolution, as outlined in the Stipulation, will ensure the plant's electric needs will continue to be met by Mohave, thereby assuring no disruption in supply between Mohave and its existing customer. Beyond the plant site, where UNS is providing service on a temporary emergency basis, UNS will meet the electric needs of new retail loads. In other words, the resolution proposed by Mohave and UNS provides all customers, existing and prospective, with ready access to an electric service provider, while resolving the existing dispute between UNS and Mohave without the need of contested proceedings.

The resolution proposed by the Stipulation also recognizes the good faith efforts of Mohave over the years to meet the electric demands in this portion of its CC&N. Mohave's existing customer will remain a Mohave customer through December 31, 2010. Additionally, Mohave, and its member-customers, will receive fair value for the electric facilities that were installed in good faith to meet the needs of an area that will be transferred to UNS. The distribution facilities being purchased by UNS have previously been interconnected with the distribution system now owned by UNS and therefore should readily integrate into the UNS system and facilitate the provision of service in the area by UNS.

Q: Please summarize how the proposed resolution would be implemented?

A: The Stipulation requests the Commission enter a Decision transferring the CC&N granted by Decision No. 58798, excepting the plant site, upon UNS' payment to Mohave of \$48,070.00 for the electric facilities and to automatically transfer the plant site to UNS the earlier of December 31, 2010 or after 6 months written notice by Mohave to the Director and UNS. The parties and the Commission then know the date certain when the transfer will be effectuated and will be able to

smoothly make the transition from one provider to the other. If Mohave desires to transfer the CC&N earlier, it may do so, upon 6 months notice. This will provide adequate notice to UNS and the Commission of the pending transfer to take any action either deems necessary under the circumstances. However, no further order of the Commission would be necessary to effectuate the further transfer, but none would be precluded either.

The Decision when entered would make further consideration of the arguments raised by the parties unnecessary. No substantive decision will have been made regarding the arguments raised in the pleadings, other than a determination that the transfer of the CC&N consistent with the Stipulation is in the public interest. However, when the Stipulation is approved by the Commission and implemented by the parties, neither Mohave nor UNS will have reason to raise these issues with regard to the area being transferred to UNS.

Q: Have legal descriptions been prepared for the areas to be transferred?

A: The total area is described in Exhibit A to Decision No. 58798. The parties will submit a legal description of the plant site at or prior to hearing.

Q: Does this conclude your testimony?

A: Yes it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, CHAIRMAN  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

IN THE MATTER OF THE COMPLAINT OF  
MOHAVE ELECTRIC COOPERATIVE, INC.  
AGAINST UNISOURCE ENERGY  
CORPORATION.

DOCKET NO. E-01750A-04-0798  
E-04204A-04-0798  
E-04230A-04-0798

IN THE MATTER OF THE APPLICATION OF  
UNS ELECTRIC, INC. FOR AN ORDER  
APPROVING A TRANSFER OF A PORTION OF  
A CERTIFICATE OF CONVENIENCE AND  
NECESSITY.

DOCKET NO. E-04204A-04-0824  
DOCKET NO. E-01750A-04-0824

STIPULATION AND PROPOSED  
RESOLUTION BY MOHAVE  
ELECTRIC COOPERATIVE, INC.  
AND  
UNS ELECTRIC, INC.

Mohave Electric Cooperative, Inc. ("Mohave") and UNS Electric, Inc. ("UNS"), by and through their attorneys undersigned, in an effort to avoid the time and expense of a contested hearing and possible litigation, and without waiving any claims they may otherwise have, respectfully jointly stipulate and submit this proposed resolution of the above-captioned dockets.

WHEREAS, on or about August 23, 1994, following receipt of the May 3,

1994 letter from Citizens Utilities Company ("Citizens") and after negotiating the necessary power supply agreements with the Arizona Electric Power Cooperative, Inc. ("AEPCO") and North Star Steel ("NSS"), Mohave filed an application for the transfer of a portion of Citizens' CC&N involving a 1,040-acre site near Kingman, Arizona in Sections 4, 5, and 9, Township 20 North, Range 17 West, Mohave County, Arizona (the "NSS Site") where North Star Steel wanted to build a mini-mill steel recycling facility;

WHEREAS, the Commission approved Mohave's application by Decision No. 58798, dated October 14, 1994, and transferred the portion of Citizens' CC&N as described in Exhibit A to Decision No. 58798 to Mohave.

WHEREAS, a plant was constructed on the NSS Site and Mohave met its electric needs through contractual arrangements with AEPCO and the plant owner;

WHEREAS, prior to 2005, Mohave had constructed a distribution system on the NSS Site and secured power from Citizens to serve the electrical needs of all customers, other than the plant, on the NSS Site (i.e., contractors involved with constructing the NSS plant and a trucking operation established on the site);

WHEREAS, in 2004, Central Trucking, Inc. ("CTI") indicated it had a prospective need for electric service on the NSS Site;

WHEREAS, disputes have arisen between Mohave and UNS as to the provision of electric service to CTI and the NSS Site and those disputes have resulted in a the filing of the above captioned Complaint and Application;

WHEREAS, the Commission entered an Emergency Order for Provision of Electric Service (Decision No. 67535) ordering UNS to provide CTI service pending the resolution of these matters; and

WHEREAS, Mohave and UNS believe it is in the public interest to resolve the outstanding disputes as set forth in this Stipulation.

NOW THEREFORE, Mohave and UNS respectfully request that the Commission enter a Decision and Order in the above-captioned matters:

1. Transferring to UNS Electric, contingent upon UNS Electric's payment to Mohave of \$48,070.00<sup>1</sup> for Mohave installed facilities ("Mohave Facilities"),<sup>2</sup> that portion of Mohave's CC&N granted pursuant to Decision No. 58798, excepting the portion thereof depicted by Exhibit A<sup>3</sup> attached hereto (the "Plant Site");
2. Approving the transfer of the Mohave Facilities to UNS;
3. Transferring, without the need of further order of the Commission, the Plant Site, the earlier of:
  - a. December 31, 2010; or
  - b. On the date specified by Mohave in a written notification to UNS Electric and the Director of Utilities that the customer's electric needs no longer can be met by the existing MEC contractual arrangements; such written notification to be provided not less

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1 The \$48,070.00 is composed of the \$67,400 in facilities set forth in Exhibit B depreciated on a straight-line basis with a twenty-five (25) year remaining life using a thirty-five (35) year life span.

2 All Mohave Facilities are being transferred "As is", and Mohave shall assign or quit claim all easements and rights-of-way to the extent they contain the Mohave Facilities; provided, however, that the transfer of the Mohave Facilities and related easements and rights-of-way shall not take place and UNS shall have no obligation to pay for the Mohave Facilities unless and until any and all necessary approvals, assignments, and/or releases are received from the Rural Utilities Service (RUS) and any other lienholder in relation to the Mohave Facilities.

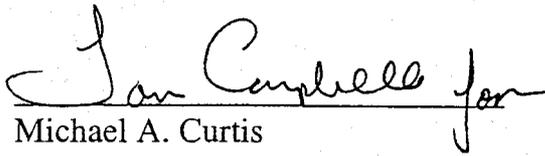
3 The parties will provide a legal description for the Plant Site prior to the hearing.

than six calendar months prior to the date specified in the written notice.

4. Dismissing with prejudice all issues raised in Mohave's Complaint and UNS' Application as they relate to the provision of electric service to the NSS Site. Such dismissal shall have no precedential effect whatsoever beyond the NSS Site.

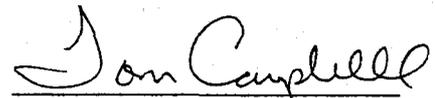
DATED this 17<sup>th</sup> day of June 2005.

CURTIS, GOODWIN, SULLIVAN,  
UDALL & SCHWAB, P.L.C.



Michael A. Curtis  
William P. Sullivan  
2712 North Seventh Street  
Phoenix, Arizona 85006  
Attorneys for Mohave Electric  
Cooperative, Inc.

LEWIS & ROCA, L.L.P.



Thomas H. Campbell  
40 N. Central  
Phoenix, Arizona 85004  
Attorneys for UNS Electric, Inc.

PROOF OF AND CERTIFICATE OF MAILING

I hereby certify that on this 17<sup>th</sup> day of June, 2005, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and twenty-one (21) copies of the above to:

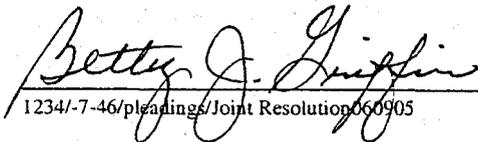
Docket Control Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

**With copies of the foregoing hand delivered/mailed  
this 17<sup>th</sup> day of June, 2005 to:**

Jason Gellman, Esq.  
Legal Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

Ernest Johnson  
Director, Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

Terrence G. O'Hara  
Vice President Western Division  
Central Trucking Inc.  
P.O. Box 6355  
Kingman, AZ. 86401

  
1234/-7-46/pleadings/Joint Resolution060905

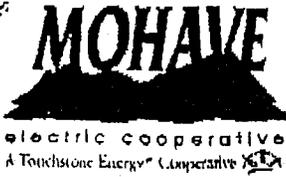
# **EXHIBIT A**



# **EXHIBIT B**

MOHAVE ELECTRIC CO-OP. TEL 928-763-3315

May 25 05 16:07 No.002 P.02



P.O. Box 1045, Bullhead City, AZ 86430

ELECTRIC FACILITIES OFFERED TO UNSLABOR:

778.5 MEC HOURS		35,405.73
TRAFFIC CONTROL		<u>156.00</u>
		\$ 35,561.73

MATERIAL:

TRAFFIC CONTROL SIGNS & EQUIP.		141.12
1500 KVA PADMOUNT TRANSFORMER	1	8,642.50
LEAD HEAD ADAPTER	1	4.09
LARGE PLATE ANCHORS	15	355.48
RISER ARRESTORS	3	233.25
ELBOW ARRESTORS	3	378.54
GUY ATTACHMENTS	11	21.62
POLE EYE PLATE ATTACHMENTS	13	130.07
CARRIAGE BOLTS	8	2.41
UPSET BOLTS	2	5.80
EYE BOLTS	35	108.23
MACHINE BOLTS	106	300.62
CROSS-ARM 28 INCH BRACES	8	18.60
HORIZ. POST INSULATOR BRACKETS	15	129.42
J-10 3 INCH CLEVIS	5	15.46
PRIMARY 1/0 CABLE	410'	793.57
DEAD END STRAIGHT CLAMPS	60	558.57
TRUNION CLAMPS	16	87.04
THIMBLE, A-3, CLEVIS	21	86.78
LINE, PREFORM, DEADENDS	23	46.11
SERVICE PREFORM DEADENDS	4	3.15
GUY GRIP PREFORM DEADENDS	48	81.78
SECONDARY K-11 CLEVIS	3	3.91
ANCHOR SHACKLE	1	3.22
ACSR 1/0 ALUMINUM	4584'	777.66
ACSR 4/0 ALUMINUM	13751'	4,283.92
SOFT DRAWN BARE #6 COPPER	106'	19.47
SOFT DRAWN BARE #8 COPPER	8'	0.98
STRANDED BARE #4 COPPER	102'	27.82
STRANDED BARE 1/0 COPPER	20'	12.33
TRIPLEX 1/0 CONDUCTOR	132'	82.74
INSULATED #4 COPPER	40'	13.67
H-TAP, ALUMINUM, CONNECTORS	137	102.70

MOHAVE ELECTRIC CO-OP. TEL 928-763-3315

May 20 05

16:07 No.002 P.03

ELECTRIC FACILITIES OFFERED TO UNS

SERVICE ENTRANCE CONNECTORS	15	10.93
TRANSFORMER TANK GR CONNECTOR	1	2.67
HOT LINE CLAMP CONNECTORS	9	66.25
STIRRUP CONNECTORS	9	96.18
LUG CONNECTORS	10	47.26
STEEL CROSSARMS	13	959.69
DISTRIBUTION 8'-10' CROSSARMS	4	136.81
LOAD BREAK CUTOUPS	3	394.36
GROUND SLEEVE	1	248.36
POLE GAIN	1	4.55
MARKER GUYS	12	136.08
BIRD GUARD COVERS	2	9.71
PIN TYPE INSULATORS	9	86.69
HORIZ. 25KV INSULATORS	15	661.52
POST 25KV INSULATORS	13	231.74
SPOOL 2 & 3 INCH INSULATORS	10	10.90
DEAD END RUBBER INSULATORS	60	1,194.73
EXTENSION, FIBERGLASS, LINKS	13	206.07
EYE NUTS	10	13.31
CROSS ARM CLAMP TYPE PINS	3	25.01
RIDGE PINS	5	25.13
POLE BUTT GROUND PLATES	10	25.25
25 FOOT POLE	1	184.12
40 FOOT POLES	2	678.94
45 FOOT POLES	8	3,559.29
50 FOOT POLES	4	2,278.38
55 FOOT POLES	2	1,494.22
ANCHOR 3/4"x8' RODS	12	458.27
GROUND RODS	6	40.49
LAG SCREWS	6	2.18
CABLE RISER 5' SHIELD	3	67.08
PRIMARY CABLE TERMINATORS	3	566.38
POWER CABLE 200 AMP ELBOWS	3	115.28
TRANSFORMER INSERT BUSHINGS	6	272.79
CABLE SUPPORT GRIPS	3	50.20
WRAP LOCK TIES	8	38.72
NEUTRAL TIES	7	14.59
GUY STRAND WIRE	1537'	254.20
SERVICE MAST WIRE HOLDER	1	3.89
		\$ 32,032.83

MOHAVE ELECTRIC CO-OP. TEL. 928-763-3315

May 20 05

16:08 No.002 P.04

**ELECTRIC FACILITIES OFFERED TO UNS**

**SALVAGED MATERIAL:**

UPSET BOLT	(1)	(2.63)
EYE BOLTS	(2)	(5.06)
MACHINE BOLTS	(5)	(11.18)
J-10 3 INCH CLEVIS	(2)	(5.83)
SECONDARY K-11 CLEVIS	(1)	(0.95)
TRIPLEX 1/0 CONDUCTOR	(165)	(99.83)
HOT LINE CLAMP CONNECTORS	(2)	(11.18)
STIRRUP CONNECTORS	(2)	(28.79)
SPOOL 2 & 3 INCH INSULATORS	(4)	(5.19)
25 FOOT POLE	(1)	(122.41)
SERVICE MAST WIRE HOLDER	(1)	(3.51)
		(\$296.56)

**TOTAL WORK ORDER COST: \$ 167,298.00**