



0000037886

ORIGINAL

RECEIVED

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER

AZ CORP COMMISSION  
DOCUMENT CONTROL

|                                    |                               |
|------------------------------------|-------------------------------|
| IN THE MATTER OF THE APPLICATION   | ) Docket No. E-01787A-01-0063 |
| OF NAVOPACHE ELECTRIC COOPERATIVE, | )                             |
| INC., AN ARIZONA NON-PROFIT        | ) NAVOPACHE ELECTRIC          |
| CORPORATION FOR A FINDING OF FAIR  | ) COOPERATIVE, INC.'S         |
| VALUE OF ITS PROPERTIES AND A FAIR | ) NOTICE OF FILING            |
| RATE OF RETURN THEREON, AND FOR    | ) REJOINDER TESTIMONY         |
| APPROVAL OF RATES AND CHARGES,     | )                             |
| AND FOR APPROVAL OF CHANGES TO ITS | )                             |
| POLICY MANUAL.                     | )                             |

Navopache Electric Cooperative, Inc. ("Navopache"), by and through its attorneys, hereby files the Rejoinder Testimony of Wayne A. Retzlaff and Kent Rhoton of Navopache, David W. Hedrick and Judy K. Lambert of C.H. Guernsey & Company, and William K. Edwards of National Rural Utilities Cooperative Finance Corporation, all on behalf of Navopache.

Respectfully submitted this 17th day of October, 2001.

MARTINEZ & CURTIS, P.C.

Arizona Corporation Commission

DOCKETED

OCT 17 2001

DOCKETED BY *msc*

*Paul R. Michaud*

William P. Sullivan, Esq.  
Paul R. Michaud, Esq.  
2712 North Seventh Street  
Phoenix, Arizona 85006-1090  
Attorneys for Navopache  
Electric Cooperative, Inc.



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER**

**IN THE MATTER OF THE APPLICATION ) DOCKET NO. E-01787A-01-0063  
OF NAVOPACHE ELECTRIC COOPERATIVE, )  
INC., AN ARIZONA NON-PROFIT )  
CORPORATION FOR A FINDING OF FAIR )  
VALUE OF ITS PROPERTIES AND A FAIR )  
RATE OF RETURN THEREON, AND FOR )  
APPROVAL OF RATES AND CHARGES, )  
AND FOR APPROVAL OF CHANGES TO ITS )  
POLICY MANUAL. )  
\_\_\_\_\_ )**

**REJOINDER TESTIMONY OF**

**WAYNE A. RETZLAFF**

**ON BEHALF OF**

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**

**OCTOBER 17, 2001**

**TABLE OF CONTENTS**  
**REJOINDER TESTIMONY OF WAYNE A. RETZLAFF**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Introduction.....page 1

Purpose of Rebuttal Testimony.....page 2

Comments to Darron Carlson's 1.5 OTIER Recommendation.....page 2

Comments to Darron Carlson's Recommended Removal of Lobbying Expenses From Rate Base.....page 3

Response to Darron Carlson's Recommended Treatment of the Gain From the Sale of Plains' Transmission Assets.....page 4

Response to Darron Carlson's Policy Manual Recommendations Regarding Definition for Summer and Winter Months.....page 5

Response to Darron Carlson's Policy Manual Recommendations Regarding Time Deadlines to Respond to Customer Complaints.....page 6

Response to Darron Carlson's Recommendation Regarding Standard Offer Tariff Schedule No. 4.....page 6

Response to Darron Carlson's Recommendation Regarding Standard Offer Tariff Schedule No. 7.....page 6

1 REJOINDER TESTIMONY OF WAYNE A. RETZLAFF  
2 DOCKET NO. E-1787A-01-0063  
3 PAGE 1

4 **Q. Please state your full name and business address.**

5 A. My name is Wayne A. Retzlaff. My business address is Post Office Box 308,  
6 Highway 260, Lakeside, Arizona 85929.

7  
8 **Q. By whom are you employed and in what capacity?**

9 A. I am the General Manager for Navopache Electric Cooperative, Inc.

10 **Q. Are you the same Wayne Retzlaff who submitted Direct Testimony and**  
11 **Rebuttal Testimony in this proceeding?**

12 A. Yes.

13  
14 **Q. As General Manager, do you have a duty to recommend to Navopache's**  
15 **Board of Directors appropriate rates and charges in order to protect the**  
16 **financial health of the Cooperative?**

17 A. Yes. Navopache must maintain good financial health in order to continue  
18 providing adequate and reliable electricity to its member-customers.  
19 Approximately four years ago, it became obvious to management that  
20 Navopache's present rates were inadequate for continued adequate and reliable  
21 operations. Rather than simply seeking a rate increase from the Commission,  
22 Navopache decided to pursue a course of action to reduce its single biggest  
23 expense, purchase power. As reflected in the adjusted test year data provided  
24 by our consultants in this rate case filing, these efforts reduced power costs by  
25 \$3,170,963 or 18 percent. This is to be compared with the total increase of  
26

1 REJOINDER TESTIMONY OF WAYNE A. RETZLAFF  
2 DOCKET NO. E-1787A-01-0063  
3 PAGE 2

4 \$3,294, 439 requested by the Cooperative in this rate case. Even with this  
5 reduction in operating expenses, Navopache's OTIER has dropped to 0.21,  
6 which is well below the 2.0 OTIER recommended by CFC and the minimum  
7 default 1.10 OTIER required by RUS. Had Navopache not been able to reduce  
8 its power costs, its financial condition would be even worse.

9  
10 **Q. What is the purpose of your Rejoinder Testimony?**

11 A. The purpose of my Rejoinder Testimony is to respond to the Surrebuttal  
12 Testimony provided by Mr. Darron Carlson on behalf of Staff regarding: (1)  
13 OTIER; (2) lobbying fees; (3) treatment of the gain from the sale of Plains'  
14 transmission assets; (4) policy manual; and (5) standard offer tariffs.

15  
16 **Q. Do you agree with the 1.5 Operating TIER recommended by Mr. Carlson?**

17 A. No. In our Rebuttal Testimony, we provided Mr. Carlson with very a detailed  
18 analysis from Judy Lambert of C.H. Guernsey & Company and William  
19 Edwards of CFC supporting the Cooperative's 2.0 OTIER request. I believe  
20 that our Rebuttal Testimony shows that Navopache will soon become a  
21 financially distressed utility unless the Commission allows the Cooperative to  
22 earn a minimum 2.0 OTIER. As the Commission is aware, Navopache was  
23 required to secure a \$10,000,000 line of credit from CFC (bridge loan) in order  
24 to continue to make necessary system improvements, pending permanent  
25 financing from RUS. Mr. Carlson's Surrebuttal Testimony, however,  
26

4 apparently does not rebut our analysis supporting a 2.0 OTIER request in  
5 contrast to his 1.5 OTIER recommendation. Instead, Mr. Carlson simply  
6 reiterates his position in Direct Testimony that he is "confident" that a 2.0  
7 OTIER is not necessary for continued funding of the Navopache's construction  
8 plan and operations. As Navopache's General Manager, I must say that Mr.  
9 Carlson's confidence that a 1.5 OTIER will suffice for Navopache to continue  
10 with adequate operations is misplaced. As shown in the thoughtful and  
11 detailed Direct and Rebuttal Testimony provided by Ms. Lambert of C.H.  
12 Guernsey & Company and Mr. Edwards of CFC supporting a 2.0 OTIER,  
13 Navopache desperately needs at least a 2.0 OTIER to continue with adequate  
14 operations.  
15

16 **Q. Do you agree with Mr. Carlson's recommended removal from rate base of**  
17 **approximately \$13,000 in expenses for the Cooperative's lobbying**  
18 **activities?**

19 **A. No.** In his Surrebuttal Testimony, Mr. Carlson rejects Navopache's request to  
20 include lobbying fees in operating expense because he believes that the  
21 ratepayers' ability to elect Navopache's board of directors is not an effective  
22 control over lobbying activity conducted by the Cooperative. Mr. Carlson also  
23 seems to see no difference between the boards of cooperatives and the boards  
24 of "investor owned" utilities. This is not true. Unlike the ratepayers of  
25 "investor-owned" utilities whom are subordinate to the shareholders whom  
26

1 REJOINDER TESTIMONY OF WAYNE A. RETZLAFF  
2 DOCKET NO. E-1787A-01-0063  
3 PAGE 4

4 control their board of directors through participation in the board election  
5 process, ratepayers of cooperatives have direct and substantial control over  
6 their board of directors because they participate in the board election process.  
7 It is reasonable to conclude that, like the boards of "investor owned" utilities  
8 whom conduct lobbying activities out of a duty to their shareholders, the  
9 boards of cooperatives have a "duty" to their member-ratepayers to authorize  
10 lobbying activities to protect the member-ratepayers' interests. Accordingly, as  
11 I stated in my Rebuttal Testimony, although I understand that it is the  
12 Commission's general policy to insulate ratepayers from subsidizing a  
13 company's political lobbying activities of the "investor owned" utilities, this  
14 one-size-fits-all approach is simply not appropriate when applied to the  
15 cooperatives.  
16

17  
18 **Q. Do you agree with Mr. Carlson's recommendation that a billing credit be**  
19 **established to offset part of the "CTC" charge in an amount that would**  
20 **extinguish the \$860,670 gain from the sale of Plains' transmission assets?**

21 **A. No. In his Surrebuttal Testimony, Mr. Carlson states, "I do not have any**  
22 **dispute with the Company in its proposed treatment of the gain, except for the**  
23 **recognition of the Commission's previous order." (page 4). Thus, Mr. Carlson**  
24 **recognizes that Navopache's proposed treatment of the gain is reasonable. Mr.**  
25 **Carlson interprets the Stranded Cost Settlement Agreement differently than**  
26 **Navopache. Mr. Carlson, however, was not a participant in the Stranded Cost**

4 Settlement. Thus, I believe that he is not in a position to testify to what the  
5 parties intended regarding future treatment of the sale of Plains' transmission  
6 assets. I am not an attorney, therefore, I can only testify as to how Navopache  
7 intended to treat this issue in the Stranded Cost Settlement, which was simply  
8 to address treatment in the context of the next rate case (this rate case). At the  
9 time, no parties to the Agreement had determined how to best treat the gain.  
10 Navopache had not yet received the opinion of its accountant and RUS  
11 regarding the appropriate treatment of the gain. Accordingly, Navopache  
12 reasserts its position identified in Rebuttal Testimony that it should be allowed  
13 to treat the \$860,670 provided to Navopache by Plains as a patronage capital  
14 retirement from Plains to Navopache and that the cash received should be  
15 debited to Account 131.1, Cash - General, and credited to Account 123.1,  
16 Patronage Capital from Associated Cooperatives. Once the assignment has  
17 been made to the membership, Navopache will return the funds to its members  
18 in accordance with the By-Laws of the Cooperative.

19  
20  
21 **Q. Has Navopache amended its proposed policy manual defining summer  
22 months and winter months under Section 2.10 Definitions: 49?**

23 **A. Yes.** Navopache has amended its proposed policy manual providing  
24 information in Section 2.10 defining summer months and winter months for  
25 regular business hours as recommended by Staff in Surrebuttal Testimony.  
26

4 **Q. Has Navopache amended its proposed policy manual setting certain time**  
5 **deadlines for which Navopache must respond to member complaints?**

6 A. Yes. In accordance with Staff's recommendation in Surrebuttal Testimony,  
7 Navopache has amended its proposed policy manual reflecting the time  
8 deadlines for which Navopache must respond to complaints. Specifically,  
9 Navopache has added wording to Section 2.58 of the proposed policy manual  
10 recommended by Mr. Carlson as follows: *"within five working days of receipt"*  
11 *and "responses shall be made twenty-four (24) hours before scheduled or*  
12 *proposed disconnect"* under Section 2.58.

14 **Q. Has Navopache added new wording to Navopache's proposed Standard**  
15 **Offer Tariff Schedule No. 4?**

16 A. Yes. Navopache has included the following language in its proposed Standard  
17 Offer Tariff Schedule No. 4 in accordance with Staff's recommendation in  
18 Testimony: *"Service is available where the facilities of the cooperative are of*  
19 *adequate capacity and are adjacent to the customer's premises."*

21 **Q. Do you agree with Mr. Carlson's recommended increases under proposed**  
22 **Standard Offer Tariff Schedule No. 7 for cogeneration and small power**  
23 **production facilities?**

24 A. No. Mr. Carlson misleads with percentages by claiming that the Cooperative is  
25 partial to a 400 - 500 percent increase in cogeneration rates intended to  
26

1 REJOINDER TESTIMONY OF WAYNE A. RETZLAFF  
2 DOCKET NO. E-1787A-01-0063  
3 PAGE 7

4 discourage the small co-generator or small production facility. This could not  
5 be further from the truth. We are dealing with very small amounts, (\$46.00 per  
6 month for basic service and \$125.00 per month for each generator meter) and  
7 Navopache has not changed these charges in nine (9) years. These rates simply  
8 allow Navopache to cover its costs of providing the service. Because  
9 Navopache purchases power on behalf of its members and then simply passes  
10 the power (and its cost) directly through to its members, Navopache has no  
11 incentive to discourage any of its members from cogeneration. Accordingly,  
12 Navopache believes that its proposal for an increase for Basic Service from  
13 \$8.00 to \$46.20 per month plus and increase from \$24.00 to \$125.00 per month  
14 per each generator meter is just and reasonable taking into account current  
15 costs and will not discourage the small co-generator or small production  
16 facility.  
17

18 **Q. Does this conclude your Rejoinder Testimony?**

19 **A. Yes.**

20 109/-29-15-7/Testimony/Rejoinder Testimony.Retzlaff.1017001  
21  
22  
23  
24  
25  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER**

**IN THE MATTER OF THE APPLICATION ) DOCKET NO. E-01787A-01-0063  
OF NAVOPACHE ELECTRIC COOPERATIVE, )  
INC., AN ARIZONA NON-PROFIT )  
CORPORATION FOR A FINDING OF FAIR )  
VALUE OF ITS PROPERTIES AND A FAIR )  
RATE OF RETURN THEREON, AND FOR )  
APPROVAL OF RATES AND CHARGES, )  
AND FOR APPROVAL OF CHANGES TO ITS )  
POLICY MANUAL. )**

**REJOINDER TESTIMONY OF**

**KENT RHOTON**

**MANAGER OF ENGINEERING SERVICES**

**ON BEHALF OF**

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**

**OCTOBER 17, 2001**

**TABLE OF CONTENTS**  
**REJOINDER TESTIMONY OF KENT RHOTON**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Introduction.....page 1

Purpose of Rebuttal Testimony.....page 1

Test-Year Construction Work In Progress Classified  
As Plant-In-Service.....page 2

Response to Darron Carlson's Recommendation to Disallow All  
of Navopache's Test-year CWIP From Rate Base.....page 2

Explanation of Review Process Regarding Review of Navopache's  
CWIP Classified to Transmission and Distribution Plant Accounts.....page 4

Explanation of Review of All Work Orders for "As Built" Dates.....page 5

1 REJOINDER TESTIMONY OF KENT RHOTON  
2 DOCKET NO. E-1787A-01-0063  
3 PAGE 1

4 **Q. Please state your full name and business address.**

5 A. My name is Kent Rhoton. My business address is 1878 West White Mountain  
6 Boulevard, Lakeside, Arizona 85929.

7  
8 **Q. By whom are you employed and in what capacity?**

9 A. I am the Manager of Engineering Services for Navopache Electric Cooperative,  
10 Inc. As Manager of Engineering Services, I manage all engineering aspects of  
11 Navopache's distribution and transmission plant development.

12  
13 **Q. Please state you qualifications and experience.**

14 A. I have been employed by Navopache for over forty (40) years. I have been  
15 Navopache's Manager of Engineering Operations for approximately thirty (30)  
16 years. I earned a degree in Civil Engineering in 1959. I earned a B.S. in  
17 Electrical Engineering in 1965.

18  
19 **Q. What is the purpose of your Rejoinder Testimony?**

20 A. The purpose of my Rejoinder Testimony is to respond to the Surrebuttal  
21 Testimony provided by Mr. Darron Carlson on behalf of Staff regarding the  
22 appropriate treatment of test-year Construction Work in Progress ("CWIP")  
23 and to indirectly respond to Mr. Asher Emerson on behalf of Staff regarding  
24 the discovery process surrounding Navopache's test-year CWIP.

4 **Q. Did Navopache classify any of its test-year CWIP as plant-in-service?**

5 A. Yes. It is my understanding that from the date Navopache responded to Staff's  
6 first data request, we indicated that most of the plant designated as CWIP at the  
7 end of the test year was in service. It is my further understanding that  
8 Navopache's rate case consultant Judy K. Lambert of C.H. Guernsey &  
9 Company has provided testimony that identifies \$3,972,405 of the test-year  
10 CWIP as "in service" and reclassified this plant to transmission, distribution  
11 plant, and general plant accounts.

12  
13 **Q. Do you agree with Mr. Carlson's recommendation to disallow all of the**  
14 **test-year CWIP?**

15 A. No. Mr. Carlson does not testify that this plant is not in service, but only that  
16 Staff has not had time to verify that the test-year CWIP is plant-in-service.  
17 Therefore, Staff's testimony does not contradict the testimony of Ms. Lambert.  
18 Further, my records indicate that Navopache filed its rate case application back  
19 on January 19, 2001. Staff submitted to Navopache its first set of data requests  
20 regarding Navopache's test-year CWIP (DWR 1-14) on May 7, 2001.  
21 Navopache responded to this data request in a timely manner on May 18, 2001.  
22 At that time the Cooperative presented the specific work order numbers, a  
23 general description of the plant and the plant value for the plant it now claims  
24 to be in service. As an engineer, I use this information on a regular basis to  
25 investigate what plant was constructed, when it was constructed and the cost  
26

1 REJOINDER TESTIMONY OF KENT RHOTON  
2 DOCKET NO. E-1787A-01-0063  
3 PAGE 3

4           thereof. In the event some question remains as to its existence or whether it is  
5 actually in service, a site visit is used to verify the information on the work  
6 order. In short, the basic tools to determine whether the CWIP had been placed  
7 in service were provided Staff in response to its first data request. It is not  
8 necessary for the plant to be allocated to specific plant accounts for an engineer  
9 to determine whether the plant is in service, the cost of the plant and the  
10 general classification of the plant. It should be noted further that it was not  
11 until July 20, 2001 (over two months and four data request sets later) before  
12 Staff submitted a follow-up data request on CWIP (ADE 5-47) and requested  
13 additional information. In between our first response to DWR 1-14 and Staff's  
14 follow-up data request ADE 5-47, a representative from Staff (Mr. Asher  
15 Emerson) traveled to Navopache on June 14, 2001 to meet with me to discuss  
16 engineering aspects of Navopache's rate application. We had a productive  
17 meeting and I would have been glad to go through the CWIP work orders and  
18 explain the nature of the plant involved, the location of the plant and when the  
19 plant was placed in service. Unfortunately, at no time did Mr. Emerson  
20 indicate there was an issue with CWIP. In fact he never asked me a single  
21 question regarding Navopache's test-year CWIP or whether the plant  
22 Navopache had designated as CWIP was in service. While I was unaware Staff  
23 had an issue with the CWIP Navopache is claiming as part of plant in service, I  
24 will say I believe that Staff had ample "opportunity" during the discovery  
25  
26

4 process, including the visit to Navopache to verify whether the CWIP is or is  
5 not in service.

6  
7 **Q. Do you believe that it is practical for Staff to verify all of Navopache's test-**  
8 **year CWIP as plant-in-service before allowing it in rate base?**

9 A. No. Following Staff's logic, all of Navopache's plant in existence must be  
10 verified before it may be included in rate base. This is obviously not practical.  
11 For Staff to touch every piece of plant at a utility in a rate case would require a  
12 tremendous increase in staffing at the Commission. RUS regularly conducts  
13 field audits of Navopache to verify CWIP and plant-in-service dates. However,  
14 as a practical matter, RUS takes a sampling of approximately 20% in its audits.  
15 Had Staff raised CWIP as an issue during its on site visit, we could have  
16 randomly selected some of the work order numbers provided in response to  
17 ADW 1-14 and verified the in service nature of the plant. To later assert that  
18 there was insufficient time to verify the existence of the CWIP is, in my  
19 opinion, inaccurate.

20  
21 **Q. As Navopache's Manager of Engineering Services, do you normally review**  
22 **all of Navopache's CWIP classified to transmission and distribution plant**  
23 **accounts.**

24 A. Yes. Navopache is a small utility. As such, as part of my normal duties at the  
25 Cooperative, I supervise all work orders and fieldwork, and personally record  
26

4 the "as-built" date (plant-in-service date) when the work order is completed and  
5 the plant comes into service.

6  
7 **Q. As part of this rate case, did you review all of the work orders in question**  
8 **for "as built" dates (plant-in-service dates) to verify the \$3,972,405 of**  
9 **CWIP classified by Navopache as "plant-in-service".**

10 **A. Yes.** When I became aware that the work order date was not sufficient for  
11 Staff, I personally reviewed all of the work orders in question to verify the  
12 plant-in-service dates. Based on this review, I can confidently testify, and  
13 avowal under oath, that \$3,639,315.87 of the \$3,972,405 of test year CWIP is  
14 plant-in-service. The remaining \$333,889.44 includes additions to general  
15 plant, which I do not directly oversee, since they are more general in nature.  
16 Accordingly, based on my review, not less than \$3,639,315.87 of Navopache's  
17 test-year CWIP is verified plant in service on the dates specified on the exhibit  
18 submitted by Ms. Lambert (JKL Workpaper 1) and should be allowed in rate  
19 base.

20  
21 **Q. Does this conclude your Rejoinder Testimony?**

22 **A. Yes.**

23 109/-29-15-7/Testimony/Rejoinder Testimony.Rhoton.101701

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER**

**IN THE MATTER OF THE APPLICATION ) DOCKET NO. E-01787A-01-0063  
OF NAVOPACHE ELECTRIC COOPERATIVE, )  
INC., AN ARIZONA NON-PROFIT )  
CORPORATION FOR A FINDING OF FAIR )  
VALUE OF ITS PROPERTIES AND A FAIR )  
RATE OF RETURN THEREON, AND FOR )  
APPROVAL OF RATES AND CHARGES, )  
AND FOR APPROVAL OF CHANGES TO ITS )  
POLICY MANUAL. )**

**REJOINDER TESTIMONY OF**

**DAVID W. HEDRICK**

**C.H. GUERNSEY & COMPANY**

**ON BEHALF OF**

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**

**OCTOBER 17, 2001**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**TABLE OF CONTENTS**  
**REJOINDER TESTIMONY OF DAVID W. HEDRICK**

Introduction.....page 1

Purposed of Rebuttal Testimony.....page 1

Agreement with Staff Recommendation Regarding Standard Offer  
Schedule No. 4.....page 1

Description of the Revisions Regarding the Time of Use on Peak Window.....page 2

Description of the Revisions with Respect to the Environmental  
Portfolio Surcharge.....page 3

Proposed Standard Offer and Direct Access Tariffs Reflecting the  
Environmental Portfolio Standard.....page 4

Position Regarding Customer Charges for Standard Offer Tariff No. 7.....page 4

Recommendation regarding Navopache's Proposed Rate Design.....page 4

1 **Q. Please state your name and business address.**

2 A. My name is David Hedrick and my business address is 5555 North Grand  
3 Boulevard, Oklahoma City, Oklahoma 73112-5507.  
4

5 **Q. Are you the same David Hedrick who submitted Direct Testimony and**  
6 **Rebuttal Testimony in this proceeding?**

7 A. Yes, I am.  
8

9  
10 **Q. What is the purpose of your Rejoinder Testimony?**

11 A. I am providing the revised tariff sheets which include corrections to the  
12 definition of the time of use on peak window for Residential Time of Use and  
13 Small Commercial Time of Use and changes recommended by ACC Staff to  
14 Schedule 4 to which Navopache has agreed. The revised tariffs also include  
15 changes to the language regarding the Environmental Portfolio Standard  
16 Surcharge Tariff. I will also discuss Staff witness Darron Carlson  
17 recommendations regarding Schedule No. 7.  
18

19  
20 **Q. Do you agree with Staff witness Darron Carlson's recommendation**  
21 **regarding the wording on Standard Offer Schedule No. 4?**

22 A. Yes. The availability clause on Schedule No. 4 has been revised to include the  
23 recommended language.  
24  
25  
26

1       **Q.     When you were revising Standard Offer Schedule No. 4 to reflect Mr.**  
2       **Carlson's recommendation, did you discover other changes that needed to**  
3       **be made to the Tariffs?**

4       A.     Yes. I found that the Time of Use on peak window for the Residential and  
5       Small Commercial Time of Use Option tariffs had not been modified as  
6       intended. I was also informed that the Commission had recently approved a  
7       separate Environmental Portfolio Standard tariff for Navopache. Therefore, I  
8       have reinserted the Demand Side Management Adder language that exists in  
9       Navopache's existing tariffs and incorporated the Environmental Portfolio  
10      Standard tariff by reference. I also renumbered the Interruptible Tariff as  
11      Schedule No. 8, since Navopache is dropping its current Schedules 8 and 9  
12      which were economic development rates based on special rates offered by  
13      Navopache's prior wholesale power supplier.

16      **Q.     Please describe the revisions regarding the Time of Use on peak window.**

17      A.     When reviewing Navopache's tariffs to make the agreed upon changes  
18      recommended by Commission Staff, we realized the proposed Residential and  
19      Small Commercial Time of Use Option tariffs originally filed by Navopache  
20      did not include the appropriate definition of the on peak periods for the summer  
21      and winter periods. Navopache's existing tariff defines the on peak window as  
22      the period from 6:00 am to 1:00 pm and 4:00 pm to 9:00 pm, Monday through  
23      Saturday for all months of the year. Navopache intends to modify these peak  
24      period slightly to better correspond to the peaking periods of Navopache's new  
25      wholesale power supplier and continue to provide the greatest flexibility to the  
26

1 cooperative's time of use customers by creating a seasonal peak window. In  
2 order to accomplish this, the peak window for the October through March  
3 period remains 6:00 am to 1:00 pm and 4:00 pm to 9:00 pm, Monday through  
4 Saturday. However, during the period April through September, the peak  
5 window is 6:00 am to 4:00 pm and 6:00 pm to 9:00 pm, Monday through  
6 Saturday.  
7

8  
9 **Q. Please describe the revisions with respect to the Environmental Portfolio**  
10 **Standard Surcharge.**

11 A. The originally proposed tariff includes a provision for the recovery of \$0.0005  
12 per kWh to help offset the costs associated with the Environmental Portfolio  
13 Standard, which at the time was expected to be formally adopted by the  
14 Arizona Corporation Commission. This was the old Demand Side  
15 Management Program Adder in the existing rate. Subsequent to Navopache's  
16 filing of this rate application, the Commission did adopt the Environmental  
17 Portfolio Standard in Decision No. 63364, which was codified under A.A.C.  
18 R14-2-1618, and approved a specific Environmental Portfolio Surcharge tariff  
19 for Navopache in Decision No. 63358. As a result, we have reinserted the  
20 Demand Side Management Adder and incorporated the specific Environmental  
21 Surcharge on all Standard and Direct Access tariffs. The Demand Side  
22 Management Adder now provides that once the demand side management  
23 program is cancelled the DSMP adder will continue to be collected, but the  
24 funds will be applied toward environmental portfolio uses. It is Navopache's  
25 understanding this is consistent with A.A.C. R14-2-1618.A.2.  
26

1 **Q. Have you prepared revised tariffs reflecting these changes?**

2 A. Yes. I am sponsoring the revised Standard Offer and Direct Access tariffs  
3 attached to my rejoinder testimony.  
4

5 **Q. What is your position with regard to the customer charges proposed for**  
6 **Standard Offer Tariff Schedule No. 7?**

7 A. The proposed customer charge of a \$125 per meter is the same as the customer  
8 charge on Schedule No.2, Commercial and Industrial. Rate Schedule No. 7 is  
9 only applicable to loads with 100 kW or more of qualified production facilities.  
10 The required facilities to provide service to such a load would be similar to the  
11 type of load served on Schedule No. 2. For the type of load that would be  
12 served on this rate schedule, the customer charge is appropriate. There are  
13 currently no customers taking service under this rate schedule, therefore there  
14 is no customer impact issue. This is an ideal time to set the appropriate pricing  
15 for this type of service.  
16  
17

18 **Q. Do you still recommend the approval of Navopache's proposed rate**  
19 **design?**

20 A. Yes. As stated in my Direct and Rebuttal Testimony, Navopache's proposed  
21 rate structure is intended to reflect the actual cost of providing service and send  
22 the proper pricing signal to the customer. Navopache believes that the  
23 proposed changes are reasonable and necessary to position the cooperative for  
24 direct access.  
25  
26

1       **Q.    Does this conclude your testimony?**

2       A.    Yes, it does.

3

4

109/-29-15-7/Testimony/Rejoinder Testimony.Hedrick.101601

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 1**  
**RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS**

**Effective:** For electrical usage beginning on ~~or about~~ January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available to residential and farm consumers, and to schools, churches, and community halls requiring single-phase service throughout the cooperative service area where the facilities of the cooperative are of adequate capacity and are adjacent to premises subject to the rules and regulations of the seller.

**Applicability**

To all single-phase residential, school, church, and community hall electric service in individual locations and individually metered apartments and for non-seasonal farm use when all service is supplied at one point of delivery and energy is metered through one meter.

Not applicable for resale, breakdown, standby or auxiliary service.

**Type of Service**

Single-phase, 60 cycles, nominal 120/240 volts, 120/208 volts, 3 wire, and limited to individual motors of 10 HP or less that will not cause excessive voltage fluctuations, supplied through one set of service wires and metered through one meter.

**Monthly Rate**

| STANDARD RATE                    | Power Supply | CTC       | Distribution Charges |               |         |           |           | Total Rate |
|----------------------------------|--------------|-----------|----------------------|---------------|---------|-----------|-----------|------------|
|                                  |              |           | Metering             | Meter Reading | Billing | Access    | Total     |            |
| Customer Charge (\$/Customer/Mo) |              |           | \$3.13               | \$0.80        | \$4.12  | \$10.70   | \$18.75   | \$18.75    |
| Energy Charge (\$/kWh)           | \$0.04242    | \$0.00605 |                      |               |         | \$0.02260 | \$0.02260 | \$0.07107  |

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 1**  
**RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS**

| TIME-OF-USE RATE                 | Power Supply | CTC       | Distribution Charges |               |         |          |          | Total Rate |
|----------------------------------|--------------|-----------|----------------------|---------------|---------|----------|----------|------------|
|                                  |              |           | Metering             | Meter Reading | Billing | Access   | Total    |            |
| Customer Charge (\$/Customer/Mo) |              |           | \$7.82               | \$3.21        | \$4.12  | \$10.70  | \$25.85  | \$25.85    |
| Energy Charge: (\$/kWh)          |              |           |                      |               |         |          |          |            |
| On-Peak kWh                      | \$0.06412    | \$0.00605 |                      |               |         | \$0.0150 | \$0.0150 | \$0.08517  |
| Off-Peak kWh                     | \$0.02502    | \$0.00605 |                      |               |         | \$0.0150 | \$0.0150 | \$0.04607  |

The Optional TOU Rate is voluntary and, subject to meter availability and installation, shall be applicable with the first complete cycle after receipt of a customer's written request. The rate is available during the months of October through March or year-round at the customer's option. If the customer requests to be taken off the Optional TOU Rate, the Standard Rate will be applied to the next complete billing cycle after receipt of the request.

**Definition of On-Peak**

April through September: For this rate schedule, on-peak hours are 6:00 a.m. to 4:00 p.m. and 6:00 p.m. to 9:00 p.m., Monday through Saturday. All other hours are considered to be Off-Peak.

October through March: For this rate schedule, on-peak hours are 6:00 a.m. to 1:00 p.m. and 4:00 p.m. to 9:00 p.m., Monday through Saturday. All other hours are considered to be Off-Peak.

**Minimum Charge**

The minimum monthly charge shall be the Customer Charge. The minimum does not include power cost adjustment. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased to assure adequate compensation for the added facilities. Where the minimum charge is increased in accordance with the terms of this section, additional energy shall be included in accordance with the foregoing schedule.

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 1

RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS

**Purchased Power Cost Adjustment**

The utility shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.04260 per kWh sold, flow through such increases or decreases to all classes of consumers.

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff, of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 2**  
**COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA**

**Effective:** For electrical usage beginning on or about January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available to consumers, single- or three-phase, who require more than 50 kVA of transformer capacity. Subject to the established rules and regulations of the cooperative.

**Type of Service**

Single- or three-phase, over 50 kVA transformer capacity, alternating current, 60 cycles, at available secondary or primary voltages.

**Monthly Rate**

| STANDARD RATE                                   | Power Supply | CTC       | Distribution Charges |               |         |         |          | Total Rate |
|---|--------------|-----------|----------------------|---------------|---------|---------|----------|------------|
|   |              |           | Metering             | Meter Reading | Billing | Access  | Total    |            |
| Customer Charge (\$/Customer/Mo)                |              |           |                      |               |         |         |          |            |
| Secondary                                       |              |           | \$35.22              | \$4.81        | \$6.17  | \$78.80 | \$125.00 | \$125.00   |
| Primary   |              |           | \$70.22              | \$4.81        | \$6.17  | \$78.80 | \$160.00 | \$160.00   |
| Billing Demand Charge (\$/kW of Billing Demand) | \$2.96       |           |                      |               |         | \$6.24  | \$6.24   | \$9.20     |
| Energy Charge (\$/kWh)                          |              |           |                      |               |         |         |          |            |
| First 300 kWh/kW                                | \$0.04592    | \$0.00605 |                      |               |         |         |          | \$0.05197  |
| Excess kWh/kW                                   | \$0.02142    | \$0.00605 |                      |               |         |         |          | \$0.02747  |

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 2**  
**COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA**

| TIME-OF-USE RATE                                | Power Supply | CTC       | Distribution Charges |               |         |         |          | Total Rate |
|---|--------------|-----------|----------------------|---------------|---------|---------|----------|------------|
|   |              |           | Metering             | Meter Reading | Billing | Access  | Total    |            |
| Customer Charge (\$/Customer/Mo)                |              |           |                      |               |         |         |          |            |
| Secondary                                       |              |           | \$70.22              | \$4.81        | \$6.17  | \$78.80 | \$160.00 | \$160.00   |
| Primary   |              |           | \$160.22             | \$4.81        | \$6.17  | \$78.80 | \$250.00 | \$250.00   |
| Billing Demand Charge (\$/kW of Billing Demand) | \$1.46       |           |                      |               |         | \$6.24  | \$6.24   | \$7.70     |
|   | \$7.25       |           |                      |               |         |         |          | \$7.25     |
| On-Peak Demand Charge (\$/kW On-Peak Demand)    |              |           |                      |               |         |         |          |            |
| Energy Charge (\$/kWh)                          | \$0.02142    | \$0.00605 |                      |               |         |         |          | \$0.02143  |

Demand metering and timing device must be installed to record kW demand and kWh usage during the above specified hours.

**Definition of On-Peak/Off-Peak Hours**

For this rate schedule, on-peak hours shall be 6:00 a.m. to 9:00 p.m. every day. Off-peak hours shall be all other times.

**Determination of Billing Demand**

The Billing Demand shall be the maximum kilowatt demand established by the consumer for any fifteen (15) consecutive minutes during the month. Billing Demand shall be adjusted for power factor as provided below.

**Determination of On-Peak Demand**

The On-Peak Demand shall be the maximum kilowatt demand established by the consumer for any fifteen (15) consecutive minutes during the On-Peak hours of 6:00 a.m. to 9:00 p.m. The On-Peak Demand shall be adjusted for power factor as provided below.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 2  
COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA

**Power Factor Adjustment**

The consumer agrees to maintain unity power factor as nearly as practical. The cooperative may install power factor metering devices at its discretion. Demand charges will be adjusted for consumers with 50 kW or more of measured demand to correct for power factors during any period of fifteen consecutive minutes is lower than 90%, and may be so adjusted for other consumers if and when the Seller deems necessary. Such adjustments will be made by increasing the measured demand 1% for each 1% by which the power factor during any period of fifteen consecutive minutes is less than 90% lagging.

**Minimum Monthly Charge**

The minimum monthly charge shall be the higher of the following charges as determined for the consumer in question:

- (1) The minimum monthly charge specified in the contract for service; or
- (2) A charge of \$1.75 per kVA of installed transformer capacity.

Note: Minimum does not include power cost adjustment.

**Tax Adjustments**

The applicable sales taxes in Arizona will be added to all bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

**Purchased Power Cost Adjustment**

The utility shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.04260 per kWh sold, flow through such increases or decreases to all classes of consumers.

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 2  
COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA

**Delivery of Primary Service**

When a customer taking service at voltage of 14,400 and above and in excess of 750 kVA, furnishes his own transformer and substation equipment, and receives delivery of electricity at primary voltage metering, a discount of 3% shall be allowed on monthly bills for primary metering. The 3% discount will not be allowed on the purchased power cost adjustment that is shown separately on this bill.

The cooperative shall have the right to approve of transformers and substation equipment furnished by the consumer under this type of service.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 3**  
**SMALL COMMERCIAL**

**Effective:** For electrical usage beginning on ~~or about~~ January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available and applicable to all consumers who require 50 kVA or less of transformer capacity and located along the existing electric distribution system of the cooperative for single- and/or three-phase service for commercial lighting, small power, and other commercial or business uses.

**Applicability**

This schedule is applicable for commercial use which includes service used by retail or wholesale businesses, small manufacturing or processing establishments, tourist or trailer camps, motels, stores, restaurants, service stations, professional offices, and three-phase service to residential, public buildings, churches, and apartments where more than one unit is served from an individual meter and all other uses not ordinarily considered as normal residential or home use. Except in cases of master metered mobile home parts, service under this schedule shall not be resold or shared with others.

**Type of Service**

Single- or three-phase, 60 cycles, at available secondary voltages. Motors having a rated capacity in excess of 10 horsepower must be three-phase.

**Monthly Rate**

| STANDARD RATE                    | Power Supply | CTC       | Distribution Charges |               |         |           |           | Total Rate |
|----------------------------------|--------------|-----------|----------------------|---------------|---------|-----------|-----------|------------|
|                                  |              |           | Metering             | Meter Reading | Billing | Access    | Total     |            |
| Customer Charge (\$/Customer/Mo) |              |           | \$6.07               | \$3.21        | \$4.12  | \$10.70   | \$24.10   | \$24.10    |
| Energy Charge (\$/kWh)           | \$0.04120    | \$0.00605 |                      |               |         | \$0.02940 | \$0.02940 | \$0.07647  |

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 3**  
**SMALL COMMERCIAL**

| TIME-OF-USE RATE                 | Power Supply | CTC       | Distribution Charges |               |         |           |           | Total Rate |
|----------------------------------|--------------|-----------|----------------------|---------------|---------|-----------|-----------|------------|
|                                  |              |           | Metering             | Meter Reading | Billing | Access    | Total     |            |
| Customer Charge (\$/Customer/Mo) |              |           | \$16.42              | \$3.21        | \$4.12  | \$10.70   | \$34.45   | \$34.45    |
| Energy Charge: (\$/kWh)          |              |           |                      |               |         |           |           |            |
| On-Peak kWh                      | 0.05922      | \$0.00605 |                      |               |         | \$0.02940 | \$0.02940 | \$0.09467  |
| Off-Peak kWh                     | \$0.02402    | \$0.00605 |                      |               |         | \$0.02940 | \$0.02940 | \$0.05947  |

The Optional TOU Rate is voluntary and, subject to meter availability and installation, shall be applicable with the first complete cycle after receipt of a customer's written request. The rate is available during the months of October through March or year-round at the customer's option. If the customer requests to be taken off the Optional TOU Rate, the Standard Rate will be applied to the next complete billing cycle after receipt of the request.

**Definition of On-Peak**

April through September: For this rate schedule, on-peak hours are 6:00 a.m. to 4:00 p.m. and 6:00 p.m. to 9:00 p.m., Monday through Saturday. All other hours are considered to be Off-Peak.

October through March: For this rate schedule, on-peak hours are 6:00 a.m. to 1:00 p.m. and 4:00 p.m. to 9:00 p.m., Monday through Saturday. All other hours are considered to be Off-Peak.

**Minimum Monthly Charge**

The minimum monthly charge under the above rate shall be the customer charge, where 10 kVA or less of transformer capacity is required. For consumers requiring more than 10 kVA of transformer capacity, the minimum monthly charge shall be increased by \$1.75 per each additional kVA or fraction thereof required. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased in accordance with the terms of this section, additional energy shall be included in accordance with the foregoing rate schedule.

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 3  
SMALL COMMERCIAL

**Purchased Power Cost Adjustment**

The utility shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.04260 per kWh sold, flow through such increases or decreases to all classes of consumers.

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 4**  
**IRRIGATION AND WATER PUMPING SERVICE**

**Effective:** For electrical usage beginning on ~~or about~~ January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available to consumers for service to irrigation pumps and any other water pumping loads requiring less than 300 kVA of transformer capacity, subject to the established rules and regulations of the cooperative. Service is available where the facilities of the Cooperative are of adequate capacity and are adjacent to the customer's premises. This rate is not available to loads served by primary metering.

**Type of Service**

Single- or three-phase, 60 cycle alternating current. At the discretion of the cooperative, single-phase service may be furnished, provided the motor capacity is not in excess of ten horsepower (10 HP) .

**Monthly Rate**

| STANDARD RATE                    | Power Supply | CTC       | Distribution Charges |               |         |           |           | Total Rate |
|----------------------------------|--------------|-----------|----------------------|---------------|---------|-----------|-----------|------------|
|                                  |              |           | Metering             | Meter Reading | Billing | Access    | Total     |            |
| Customer Charge (\$/Customer/Mo) |              |           | \$10.10              | \$3.21        | \$4.12  | \$17.57   | \$35.00   | \$35.00    |
| Horsepower Charge (\$/HP/Month)  | \$0.69       |           |                      |               |         | \$1.81    | \$1.81    | \$2.50     |
| Energy Charge (\$/kWh)           | \$0.03762    | \$0.00605 |                      |               |         | \$0.02200 | \$0.02200 | \$0.06567  |

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 4**  
**IRRIGATION AND WATER PUMPING SERVICE**

| TIME-OF-USE RATE                      | Power Supply | CTC       | Distribution Charges |               |         |           |           | Total Rate |
|---------------------------------------|--------------|-----------|----------------------|---------------|---------|-----------|-----------|------------|
|                                       |              |           | Metering             | Meter Reading | Billing | Access    | Total     |            |
| Customer Charge (\$/Customer/Mo)      |              |           | \$14.11              | \$3.21        | \$4.12  | \$18.56   | \$40.00   | \$40.00    |
| Horsepower Charge (\$/HP/Month)       | \$0.91       |           |                      |               |         | \$1.59    | \$1.59    | \$2.50     |
| Energy Charge - On-Peak kWh (\$/kWh)  | \$0.05022    | \$0.00605 |                      |               |         | \$0.02200 | \$0.02200 | \$0.07827  |
| Energy Charge - Off-Peak kWh (\$/kWh) | \$0.02740    | \$0.00605 |                      |               |         | \$0.02200 | \$0.02200 | \$0.04947  |

Metering and timing device must be installed to record kWh usage during the above specified hours.

**Definition of On-Peak/Off-Peak Hours**

For this rate schedule, on-peak hours shall be 6:00 a.m. to 9:00 p.m. every day. Off-peak hours shall be all other times.

**Minimum Charge**

The minimum charge under the above rate shall be \$20.00 per month for 8 horsepower or less. For loads greater than 8 horsepower, the minimum charge shall be \$2.50 per horsepower per month. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased to assure adequate compensation for the added facilities.

**Determination of Horsepower**

The horsepower for billing purposes shall be the manufacturer's motor nameplate rating, or at its option the cooperative may determine the horsepower by test conditions of maximum operating load.

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

**Purchased Power Cost Adjustment**

The utility shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.04260 per kWh sold, flow through such increases or decreases to all classes of consumers.

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 4  
IRRIGATION AND WATER PUMPING SERVICE

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff, of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 5**  
**SECURITY LIGHTS**

**Effective:** For electrical usage beginning on ~~or about~~ January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available to all consumers in the cooperative's service are for security lighting uses, subject to the cooperative's rules and regulations.

**Type of Service**

Single-phase, 120/240 volts, 60 cycle alternating current.

**Application**

The cooperative will construct, maintain, and operate all security lights, except in existing instances where the consumer owns the light, in which case the consumer shall be responsible for operation and maintenance of same.

Lamps will be controlled by timing devices or photoelectric units to provide service from dusk to dawn.

**Monthly Rate**

The monthly rate shall be as follows, based on estimated average monthly usage for unmetered lights:

| Consumer Owned              | Power Supply | CTC    | Distribution |        |        | Total Rate |
|-----------------------------|--------------|--------|--------------|--------|--------|------------|
|                             |              |        | Billing      | Access | Total  |            |
| 175 Watt MVL 75 kWh         | \$3.18       | \$0.46 | \$0.05       | \$3.32 | \$3.37 | \$7.00     |
| 250 Watt MVL 110 kWh        | \$4.66       | \$0.67 | \$0.07       | \$3.52 | \$3.59 | \$8.85     |
| 400 Watt MVL 175 kWh        | \$7.31       | \$1.06 | \$0.10       | \$6.14 | \$6.24 | \$14.60    |
| 100 Watt HPS 34 kWh         | \$1.42       | \$0.21 | \$0.02       | \$3.16 | \$3.18 | \$4.80     |
| 150 Watt HPS 50 kWh         | \$2.09       | \$0.30 | \$0.03       | \$4.33 | \$4.36 | \$6.75     |
| 250 Watt HPS 85 kWh         | \$2.56       | \$0.51 | \$0.05       | \$4.43 | \$4.48 | \$8.55     |
| Pole Charge (if applicable) |              |        |              | \$4.00 | \$4.00 | \$4.00     |

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 5**  
**SECURITY LIGHTS**

| Cooperative Owned           | Power Supply | CTC    | Distribution |        |        | Total Rate |
|-----------------------------|--------------|--------|--------------|--------|--------|------------|
|                             |              |        | Billing      | Access | Total  |            |
| 175 Watt MVL 75 kWh         | \$3.18       | \$0.46 | \$0.05       | \$5.07 | \$5.12 | \$8.75     |
| 250 Watt MVL 110 kWh        | \$4.60       | \$0.67 | \$0.07       | \$5.87 | \$5.94 | \$11.20    |
| 400 Watt MVL 175 kWh        | \$87.31      | \$1.06 | \$0.10       | \$9.74 | \$9.84 | \$18.20    |
| 100 Watt HPS 34 kWh         | \$1.42       | \$0.21 | \$0.02       | \$6.16 | \$6.18 | \$7.80     |
| 150 Watt HPS 50 kWh         | \$2.09       | \$0.30 | \$0.03       | \$7.33 | \$7.36 | \$9.75     |
| 250 Watt HPS 85 kWh         | \$3.56       | \$0.51 | \$0.05       | \$7.43 | \$7.48 | \$11.55    |
| Pole Charge (if applicable) |              |        |              | \$4.00 | \$4.00 | \$4.00     |

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

**Purchased Power Cost Adjustment**

The utility shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.04260 per kWh sold, flow through such increases or decreases to all classes of consumers.

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff, of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 6**  
**STREET LIGHTING SERVICE**

**Effective:** For electrical usage beginning on or about January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available to municipal corporations and other organizations within the cooperative service area qualifying for street lighting service, subject to the cooperative's rules and regulations.

**Type of Service**

Single-phase, 120/240 volts, 60 cycle alternating current.

**Application**

The consumer shall construct, maintain and operate the system.

Lamps to be controlled by timing devices or photoelectric units to provide for service from dusk until dawn.

**Monthly Rate**

The monthly rate shall be as follows, based on estimated average monthly usage for unmetered lights:

| Street Lighting Service | Power Supply | CTC    | Distribution |        |        | Total Rate |
|-------------------------|--------------|--------|--------------|--------|--------|------------|
|                         |              |        | Billing      | Access | Total  |            |
| 175 Watt Lamp 75 kWh    | \$3.18       | \$0.46 | \$0.05       | \$5.07 | \$5.12 | \$8.75     |
| 250 Watt Lamp 110 kWh   | \$4.60       | \$0.67 | \$0.07       | \$4.92 | \$4.99 | \$10.25    |
| 400 Watt Lamp 175 kWh   | \$7.31       | \$1.06 | \$0.10       | \$9.74 | \$9.84 | \$18.20    |
| 1000 Watt Lamp 435 kWh  | \$18.17      | \$2.63 | \$0.26       | \$9.72 | \$9.98 | \$30.75    |
| 100 Watt Sodium 34 kWh  | \$1.42       | \$0.21 | \$0.02       | \$3.16 | \$3.18 | \$4.80     |
| 150 Watt Sodium 50 kWh  | \$2.09       | \$0.30 | \$0.03       | \$4.33 | \$4.36 | \$6.75     |
| 250 Watt Sodium 85 kWh  | \$3.56       | \$0.51 | \$0.05       | \$4.43 | \$4.48 | \$8.55     |

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 6  
STREET LIGHTING SERVICE

**Purchased Power Cost Adjustment**

The utility shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.04260 per kWh sold, flow through such increases or decreases to all classes of consumers.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 7  
OPTIONAL ELECTRIC SERVICE FOR QUALIFIED COGENERATION  
AND SMALL POWER PRODUCTION FACILITIES OVER 100 KW

**Effective:** For electrical usage beginning on ~~or about~~ January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

In all territory served by the Cooperative where facilities of adequate capacity and suitable voltages are adjacent to the premises served and when all applicable provisions described herein have been met.

**Application**

Applicable only to qualified cogeneration and small power production facilities of 100 kW or more that meet qualifying status as defined under 18 CFR, Chapter 1, Part 292, Subpart B of the Federal Energy Regulatory Commission's regulations and pursuant to the Arizona Corporation Commission's Decision No. 56271. The facility's generator(s) and load must be located at the same premise.

**Type of Service**

Single- or three-phase, alternating current, 60 cycles, at available secondary or primary voltages at one standard voltage as may be selected by the consumer.

**Monthly Rate**

The monthly bill shall be the sum of the amounts computed under A, B, C, and D below, including the applicable Adjustments:

- A. **Basic Service:** \$125.00 per month, plus  
\$46.20 per month per each generator meter.
  
- B. **Supplemental Service:**  
Demand and energy charges will be in accordance with Schedule No. 2, Commercial and Industrial Service - Above 50 kVA, based upon the consumer's maximum supplemental demand.
  
- C. **Standby Service:**
  - 1. Monthly Reservation Charge: \$2.96 per kW of Contract Standby Capacity  
To be adjusted as specified herein, plus
  - 2. Standby Energy Charge shall be the energy charges applicable under the retail rate schedules of the cooperative that would be applicable absent the generation of the qualifying facility. The currently approved charges are:  
Schedule No. 2, Commercial and Industrial Service - Above 50 kVA  
First 300 kWh/kW \$0.05197 per kWh  
Excess kWh \$0.02747 per kWh
  
- D. **Maintenance Service:**  
The Maintenance Service Energy Charge shall be the energy charges applicable under the retail rate schedules of the cooperative that would be applicable absent the generation of the qualifying facility. The currently approved charges are:

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 7  
OPTIONAL ELECTRIC SERVICE FOR QUALIFIED COGENERATION  
AND SMALL POWER PRODUCTION FACILITIES OVER 100 KW

Schedule No. 2, Commercial and Industrial Service - Above 50 kVA

All charges will be at the Excess Energy Rate:

Excess kWh                      \$0.02747 per kWh

**Determination of Monthly Reservation Charge**

The initial Monthly Reservation Charge shall be that charge indicated previously under the Monthly Bill section, Part C, 1. At the end of the first five months of winter service under this rate schedule, an actual forced outage rate for the cogeneration service received by each consumer shall be determined. That actual forced outage rate expressed as a percent shall then be applied to the current unit demand charge paid by the cooperative to its supplier to determine the Monthly Reservation Charge to be applied to each consumer for the ensuing twelve months. This process will be repeated for each consumer each year to determine the Monthly Reservation Charge to be applied to each consumer for the following year.

**Determination of Supplemental Service**

Supplemental Service shall be defined as demand and energy contracted by each consumer to augment the power and energy generated by the consumer's generation facility.

Supplemental demand shall be equal to the maximum 15-minute integrated kW demand as calculated for every 15 minute interval as the demand of the Supply meter plus the demand of the Generator meter(s) less the Contract Standby Capacity of the consumer's generator(s).

Supplemental Energy shall be equal to all energy supplied to the consumer as determined from readings of the Supply meter, less any energy determined to be either Standby or Maintenance energy as defined in this schedule.

**Determination of Standby Energy**

Standby Energy shall be defined to be electric energy supplied by the cooperative to replace power ordinarily generated by the consumer's generation facility during unscheduled full and partial outages of said consumer's generation facility.

Standby Energy shall be equal to the summation of the differences between the maximum energy output of the consumer's generator(s) at the Contract Standby Capacity and the energy measured on the generator meter(s) for every 15-minute interval of the month, except those intervals when energy measured on the supply meter(s) is zero.

All Standby Energy will be billed at the otherwise applicable rate for Supplemental Service when the energy used during cogeneration exceeds 250 kWh/kW of Contract Standby Capacity in a monthly billing period.

**Determination of Maintenance Energy**

Maintenance Energy shall be defined as energy supplied to the consumer by the cooperative up to a maximum of the Contract Standby Capacity times the hours in the Scheduled Maintenance period. Maintenance periods shall not exceed thirty (30) days per year and must be scheduled during summer months. The consumer shall supply the cooperative with a Maintenance Schedule for the first and each

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 7  
OPTIONAL ELECTRIC SERVICE FOR QUALIFIED COGENERATION  
AND SMALL POWER PRODUCTION FACILITIES OVER 100 KW

ensuing twelve-month period at least sixty (60) days prior to the beginning of that period for the approval of the cooperative. Energy used in excess of a thirty (30) day period or unauthorized Maintenance Energy shall be billed as supplemental power and energy.

**Metering**

The cooperative will install a supply meter at its point of delivery to the consumer and a generator meter at each point of output from each of the consumer's generators. All meters will record integrated demand and energy on the same 15-minute interval basis as specified by the cooperative.

**Definitions**

1. Contract Standby Capacity: The nameplate kW rating of each cogeneration and/or small power production generating unit multiplied by the Net Output Factor of each unit, to be reevaluated each year.
2. Net Output Factor: The ratio of the maximum measured kW output of each cogeneration and/or small power production unit during any 15-minute interval to each unit's nameplate kW rating.
3. Forced Outage Rate: The ratio (expressed as a percentage) of the standby energy used during the consumer's on-peak hours to the product of the Contract Standby Capacity multiplied by those hours.
4. Generator Meter: The time-of-use meter(s) used to measure in 15-minute intervals the total power and energy output of each consumer cogeneration and/or small power production generation unit.
5. Supply Meter: The time-of-use meter used to measure in 15-minute intervals the total power and energy supplied by the cooperative to the consumer.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 7  
OPTIONAL ELECTRIC SERVICE FOR QUALIFIED COGENERATION  
AND SMALL POWER PRODUCTION FACILITIES OVER 100 KW

6. Time Periods:
- |           |                        |
|-----------|------------------------|
| On-Peak:  | 6:00 a.m. to 9:00 p.m. |
| Off-Peak: | 9:00 p.m. to 6:00 a.m. |
| Winter:   | November through April |
| Summer:   | May through October    |

Mountain Standard Time shall be used in the application of this rate schedule.

**Adjustments**

1. Purchased Power Cost Adjustment: The cooperative shall, if purchased power cost is increased or decreased above of below the base purchased power cost of \$0.04260 per kWh sold, flow through such increases or decreases to all classes of customers.
2. Tax Adjustment: The applicable sales taxes in Arizona will be added to all bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

**Termination Provision**

Should the consumer cease to operate cogeneration and/or small power production unit(s) for sixty (60) consecutive days during periods other than planned scheduled maintenance periods, the cooperative reserves the right to terminate any agreement for service under this rate schedule with the consumer.

**Contract Period**

As provided in the cooperative's agreement for service with the consumer.

**Terms and Conditions**

The consumer must enter into a written agreement for all service hereunder including the interconnection and the sale of power and energy with the cooperative.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**STANDARD OFFER TARIFF**

**SCHEDULE NO. 108**  
**INTERRUPTIBLE SERVICE WITH**  
**NOTICE AND CONTINUATION SERVICE**

**Effective:** For electrical usage beginning on ~~or about~~ January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available to three-phase customers with a minimum predetermined interruptible aggregate load of 1000 kW and who contract for interruptible service for a minimum of five (5) years. The cooperative may suspend the availability of this tariff to customers whenever it determines such service can no longer be economically offered, subject to the established rules and regulations of the cooperative and the Arizona Corporation Commission.

**Type of Service**

Three-phase, 1000 kW or more of aggregate load, alternating current, 60 cycles, at available secondary or primary voltages, subject to interruption.

**Monthly Rate**

| STANDARD RATE                                     | Power Supply | CTC       | Distribution Charges |               |         |         |          | Total Rate |
|---|--------------|-----------|----------------------|---------------|---------|---------|----------|------------|
|   |              |           | Metering             | Meter Reading | Billing | Access  | Total    |            |
| Customer Charge (\$/Customer/Mo)                  |              |           | \$410.22             | \$4.81        | \$6.17  | \$78.80 | \$500.00 | \$500.00   |
| Billing Demand Charge (\$/kW of Billing Demand)   | \$1.46       |           |                      |               |         | \$4.96  | \$4.96   | \$6.42     |
| On-Peak Demand (\$/On-Peak kW - Interrupt Period) | \$8.56       |           |                      |               |         |         |          | \$8.56     |
| Energy Charge (\$/kWh)                            | \$0.02142    | \$0.00605 |                      |               |         |         |          | \$0.02747  |

**Determination of Billing Demand**

The amount of demand subject to the Billing Demand Charge to be billed each month under this rate schedule for each interruptible billing account shall be the greater of:

1. The Maximum Actual Demand, excluding the Firm Demand; or
2. The Predetermined Interruptible Demand.

The **Maximum Actual Demand** for each interruptible billing account shall be the highest simultaneous fifteen (15) minute demand at the delivery point(s) for service to the customer during the billing month measured at the billing meter(s). The amount shall be adjusted, if necessary, to account for losses between the location(s) of the billing meter(s) and the point(s) of delivery to the customer.

The **Firm Demand** for each interruptible billing account shall be the sum of the non-coincident demand(s) measured at each billing meter during the billing month which the cooperative and the

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 408  
INTERRUPTIBLE SERVICE WITH  
NOTICE AND CONTINUATION SERVICE

customer agree shall not be subject to interruption and for which the customer agrees to be separately metered and billed under the cooperative's applicable noninterruptible rate schedule.

The **Predetermined Interruptible Demand** for each interruptible billing account shall be the contractual minimum aggregate demand during the billing month. The customer and the cooperative may agree with not less than thirty (30) days notice, to change the Predetermined Interruptible Demand; provided, however, the aggregate demand subject to simultaneous interruption may not be less than 1000 kW for any interruptible account and only increments of whole megawatts shall be permitted.

By November 30 of each year the customer shall submit a proposed schedule indicating the requested aggregate Predetermined Interruptible Demand for each billing meter and for each month of the next calendar year.

**Determination of On-Peak Demand**

The On-Peak Demand for each interruptible billing account shall be the highest simultaneous fifteen (15) minute demand at the delivery point(s) for service to the customer during a period of called interruption as defined in the Provisions of Interruption below. This charge is only applicable if the customer chooses not to interrupt load.

**Determination of Billing Energy (kWh)**

The Energy Charge to be billed each month under this rate schedule for each interruptible billing account shall be the sum of the total energy measured during the billing month at the delivery point(s) for service to the customer, excluding any energy the customer takes during the same period under any other rate schedule(s). This amount shall be adjusted, if necessary, to account for losses between the location(s) of the billing meter(s) and the point(s) of delivery to the customer.

**Power Factor Adjustment**

The consumer agrees to maintain unity power factor as nearly as practical. The cooperative may install power factor metering devices at its discretion. Demand charges will be adjusted for consumers with 50 kW or more of measured demand to correct for power factors during any period of fifteen consecutive minutes is lower than 90%, and may be so adjusted for other consumers if and when the Seller deems necessary. Such adjustments will be made by increasing the measured demand 1% for each 1% by which the power factor during any period of fifteen consecutive minutes is less than 90% lagging.

**Delivery of Primary Service (Discount)**

When a customer taking service at voltage of 14,400 and above and in excess of 1000 kW, furnishes his own transformer and substation equipment, and receives delivery of electricity at primary voltage metering, a discount of 3% shall be allowed on monthly bills for primary metering. The 3% discount will not be allowed on the purchased power cost adjustment that is shown separately on this bill or on the Continuation Charge.

The cooperative shall have the right to approve of transformers and substation equipment furnished by the consumer under this type of service.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 408  
INTERRUPTIBLE SERVICE WITH  
NOTICE AND CONTINUATION SERVICE

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

**Purchased Power Cost Adjustment**

The utility shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.04260 per kWh sold, flow through such increases or decreases to all classes of consumers.

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Scheduling of Energy**

Customer, by the third Friday of each month and in a manner specified by cooperative and cooperative's power supplier, shall request a scheduled energy amount per month (Scheduled Energy Amount). Scheduling shall be in accordance with the normal scheduling procedures of cooperative and its power supplier. The Scheduled Energy Amount shall be in whole megawatts rounded up.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 408  
INTERRUPTIBLE SERVICE WITH  
NOTICE AND CONTINUATION SERVICE

**Modifications Caused by Power Supplier**

Cooperative may modify any non-rate term or condition of this Tariff Schedule and the individual contracts executed thereunder to reflect the terms and conditions under which cooperative's power supplier provides interruptible service with notice and continuation service; provided, however, no change in a term or condition set forth in this Tariff Schedule shall be effective until such change is filed with and approved by the Commission.

In the event the rates in this Tariff Schedule no longer cover the actual charge for interruptible service with notice and continuation service from the cooperative's wholesale power supplier, including all on- and off-system wheeling charges and losses, plus an amount equal to five percent (5%) thereof to compensate cooperative for operating costs, overhead and administration (Power Costs), cooperative shall file for Commission review and approval rates for interruptible service with notice and continuation service sufficient to cover such Power Costs.

**Provisions for Interruption**

Interruption shall be in accordance with the following:

1. Interruptions may be declared for any reason including, without limitation, sales at a greater return.
2. Interruptions, not relating to system integrity or stability, may only be declared during the following hours:

|                       |  |
|-----------------------|--|
| May through September | 11:30 p.m. - 4:30 p.m., Arizona Local Time |
| October through April | 7:00 p.m. - 10:00 p.m., Arizona Local Time |
3. Interruptions may be declared at any time for system integrity or stability reasons.
4. The customer shall be provided not less than 20 minutes' notice before service is actually interrupted under this rate schedule. Advance notice of a period of interruption shall only be required where continuation service is not available at the cost level pre-authorized by the customer. Cooperative is not required to provide advance notice before limiting service to the Predetermined Interruptible Demand level. Such service limitation does not constitute an interruption.
5. Cooperative will endeavor to keep the customer reasonably informed of the expected duration of the interruption and also the terms under which service may be continued or resumed under the Continuation of Service provisions.
6. Any time after the customer has received at least 20 minutes' prior notification that a period of interruption has been declared, service under this rate schedule may be interrupted for any duration and from time to time without limitation during the period of interruption.
7. The customer will be notified when the period of interruption is no longer in effect.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 408  
INTERRUPTIBLE SERVICE WITH  
NOTICE AND CONTINUATION SERVICE

8. Notice shall be provided in the manner specified by the cooperative and the cooperative's power supplier. Notice provided shall be deemed duly given whether or not actually received by the customer.
9. The customer must provide the necessary facilities, acceptable to the cooperative and the cooperative's power supplier, to enable the cooperative and/or its power supplier to remotely interrupt and control the load and must allow the cooperative and/or its power supplier to control the interruption.
10. The customer shall be responsible for all costs associated with installing the necessary equipment in order for the customer to take service under this rate schedule.
11. Without declaring an interruption under the terms of this rate schedule, service to a customer under this rate schedule may be limited to the Predetermined Interruptible Demand.
12. The cooperative and its power supplier will not be liable for any loss of damage caused by or resulting from any interruption of service.
13. The customer shall not transfer, during periods of interruption, any load served under this rate schedule to any other firm rate schedule.
14. The cooperative may, at its sole discretion, direct the customer and its power supplier to communicate directly with regard to service rendered under this rate schedule.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 1-A  
RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS

**Effective:** For electrical usage beginning on ~~or about~~ January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available to residential and farm consumers, and to schools, churches, and community halls requiring single-phase service throughout the cooperative service area where the facilities of the cooperative are of adequate capacity and are adjacent to premises subject to the rules and regulations of the seller, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services.

**Applicability**

To all single-phase residential, school, church, and community hall electric service in individual locations and individually metered apartments and for non-seasonal farm use when all service is supplied at one point of delivery and energy is metered through one meter.

Not applicable for resale, breakdown, standby or auxiliary service.

**Type of Service**

Single-phase, 60 cycles, nominal 120/240 volts, 120/208 volts, 3 wire, and limited to individual motors of 10 HP or less that will not cause excessive voltage fluctuations, supplied through one set of service wires and metered through one meter.

**Monthly Rate**

| STANDARD RATE                    | Distribution Charges |               |         |          |          |
|----------------------------------|----------------------|---------------|---------|----------|----------|
|                                  | Metering             | Meter Reading | Billing | Access   | Total    |
| Customer Charge (\$/Customer/Mo) | \$3.13               | \$0.80        | \$4.12  | \$10.70  | \$18.75  |
| Energy Charge (\$/kWh)           |                      |               |         | \$0.0226 | \$0.0226 |

**Minimum Charge**

The minimum monthly charge shall be the Customer Charge. The minimum does not include power cost adjustment. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased to assure adequate compensation for the added facilities. Where the minimum charge is increased in accordance with the terms of this section, additional energy shall be included in accordance with the foregoing schedule.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 1-A  
RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Competitive Transition Charge (CTC)**

An additional charge of \$0.00605 per kWh shall be added to the bill for the recovery of stranded costs as determined in Decision 62612 by the Arizona Corporation Commission.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**DIRECT ACCESS TARIFF**

**SCHEDULE NO. 2-A**  
**COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA**

**Effective:** For electrical usage beginning on ~~or about~~ January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available to consumers, single- or three-phase, who require more than 50 kVA of transformer capacity. Subject to the established rules and regulations of the seller, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services.

**Type of Service**

Single- or three-phase, over 50 kVA transformer capacity, alternating current, 60 cycles, at available secondary or primary voltages.

**Monthly Rate**

| STANDARD RATE                                   | Distribution Charges |               |         |         |          |
|---|----------------------|---------------|---------|---------|----------|
|   | Metering             | Meter Reading | Billing | Access  | Total    |
| Customer Charge (\$/Customer/Mo)                |                      |               |         |         |          |
| Secondary                                       | \$35.22              | \$4.81        | \$6.17  | \$78.80 | \$125.00 |
| Primary   | \$70.22              | \$4.81        | \$6.17  | \$78.80 | \$160.00 |
| Billing Demand Charge (\$/kW of Billing Demand) |                      |               |         | \$6.24  | \$6.24   |

**Determination of Billing Demand**

The Billing Demand shall be the maximum kilowatt demand established by the consumer for any fifteen (15) consecutive minutes during the month. Billing Demand shall be adjusted for power factor as provided below.

**Power Factor Adjustment**

The consumer agrees to maintain unity power factor as nearly as practical. The cooperative may install power factor metering devices at its discretion. Demand charges will be adjusted for consumers with 50 kW or more of measured demand to correct for power factors during any period of fifteen consecutive minutes is lower than 90%, and may be so adjusted for other consumers if and when the Seller deems necessary. Such adjustments will be made by increasing the measured demand 1% for each 1% by which the power factor during any period of fifteen consecutive minutes is less than 90% lagging.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 2-A  
COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA

**Minimum Monthly Charge**

The minimum monthly charge shall be the higher of the following charges as determined for the consumer in question:

- (1) The minimum monthly charge specified in the contract for service; or
- (2) A charge of \$1.75 per kVA of installed transformer capacity.

Note: Minimum does not include power cost adjustment.

**Tax Adjustments**

The applicable sales taxes in Arizona will be added to all bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Delivery of Primary Service**

When a customer taking service at voltage of 14,400 and above and in excess of 750 kVA, furnishes his own transformer and substation equipment, and receives delivery of electricity at primary voltage metering, a discount of 3% shall be allowed on monthly bills for primary metering. The 3% discount will not be allowed on the purchased power cost adjustment that is shown separately on this bill.

The cooperative shall have the right to approve of transformers and substation equipment furnished by the consumer under this type of service.

**Competitive Transition Charge (CTC)**

An additional charge of \$0.00605 per kWh shall be added to the bill for the recovery of stranded costs as determined in Decision 62612 by the Arizona Corporation Commission.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 2-A  
COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**DIRECT ACCESS TARIFF**

**SCHEDULE NO. 3-A  
SMALL COMMERCIAL**

**Effective:** For electrical usage beginning on ~~or about~~ January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available and applicable to all consumers who require 50 kVA or less of transformer capacity and located along the existing electric distribution system of the cooperative for single- and/or three-phase service for commercial lighting, small power, and other commercial or business uses, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services.

**Applicability**

This schedule is applicable for commercial use which includes service used by retail or wholesale businesses, small manufacturing or processing establishments, tourist or trailer camps, motels, stores, restaurants, service stations, professional offices, and three-phase service to residential, public buildings, churches, and apartments where more than one unit is served from an individual meter and all other uses not ordinarily considered as normal residential or home use. Except in cases of master metered mobile home parts, service under this schedule shall not be resold or shared with others.

**Type of Service**

Single- or three-phase, 60 cycles, at available secondary voltages. Motors having a rated capacity in excess of 10 horsepower must be three-phase.

**Monthly Rate**

| <b>STANDARD<br/>RATE</b>            | <b>Distribution Charges</b> |                          |                |               |              |
|-------------------------------------|-----------------------------|--------------------------|----------------|---------------|--------------|
|                                     | <b>Metering</b>             | <b>Meter<br/>Reading</b> | <b>Billing</b> | <b>Access</b> | <b>Total</b> |
| Customer Charge<br>(\$/Customer/Mo) | \$6.07                      | \$3.21                   | \$4.12         | \$10.70       | \$24.10      |
| Energy Charge<br>(\$/kWh)           |                             |                          |                | \$0.0294      | \$0.0294     |

**Minimum Monthly Charge**

The minimum monthly charge under the above rate shall be the customer charge, where 10 kVA or less of transformer capacity is required. For consumers requiring more than 10 kVA of transformer capacity, the minimum monthly charge shall be increased by \$1.75 per each additional kVA or fraction thereof required. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased in accordance with the terms of this section, additional energy shall be included in accordance with the foregoing rate schedule.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 3-A  
SMALL COMMERCIAL

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Competitive Transition Charge (CTC)**

An additional charge of \$0.00605 per kWh shall be added to the bill for the recovery of stranded costs as determined in Decision 62612 by the Arizona Corporation Commission.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**DIRECT ACCESS TARIFF**

**SCHEDULE NO. 4-A**  
**IRRIGATION AND WATER PUMPING SERVICE**

**Effective:** For electrical usage beginning on or about January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available to consumers for service to irrigation pumps and any other water pumping loads requiring less than 300 kVA of transformer capacity, subject to the established rules and regulations of the cooperative, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services. This rate is not available to loads served by primary metering.

**Type of Service**

Single- or three-phase, 60 cycle alternating current. At the discretion of the cooperative, single-phase service may be furnished, provided the motor capacity is not in excess of ten horsepower (10 HP).

**Monthly Rate**

| <b>STANDARD<br/>RATE</b>            | <b>Distribution Charges</b> |                          |                |               |              |
|-------------------------------------|-----------------------------|--------------------------|----------------|---------------|--------------|
|                                     | <b>Metering</b>             | <b>Meter<br/>Reading</b> | <b>Billing</b> | <b>Access</b> | <b>Total</b> |
| Customer Charge<br>(\$/Customer/Mo) | \$10.10                     | \$3.21                   | \$4.12         | \$17.57       | \$35.00      |
| Horsepower Charge<br>(\$/HP/Month)  |                             |                          |                | \$1.81        | \$1.81       |
| Energy Charge<br>(\$/kWh)           |                             |                          |                | \$0.0250      | \$0.0250     |

**Minimum Charge**

The minimum charge under the above rate shall be \$20.00 per month for 8 horsepower or less. For loads greater than 8 horsepower, the minimum charge shall be \$2.50 per horsepower per month. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased to assure adequate compensation for the added facilities.

**Determination of Horsepower**

The horsepower for billing purposes shall be the manufacturer's motor nameplate rating, or at its option the cooperative may determine the horsepower by test conditions of maximum operating load.

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 4-A  
IRRIGATION AND WATER PUMPING SERVICE

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Competitive Transition Charge (CTC)**

An additional charge of \$0.00605 per kWh shall be added to the bill for the recovery of stranded costs as determined in Decision 62612 by the Arizona Corporation Commission.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**DIRECT ACCESS TARIFF**

**SCHEDULE NO. 5-A**  
**SECURITY LIGHTS**

**Effective:** For electrical usage beginning on ~~or about~~ January-1, 2001 and billed beginning with the February-2001 cycle billings.

**Availability**

Available to all consumers in the cooperative's service are for security lighting uses, subject to the cooperative's rules and regulations, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services.

**Type of Service**

Single-phase, 120/240 volts, 60 cycle alternating current.

**Application**

The cooperative will construct, maintain, and operate all security lights, except in existing instances where the consumer owns the light, in which case the consumer shall be responsible for operation and maintenance of same.

Lamps will be controlled by timing devices or photoelectric units to provide service from dusk to dawn.

**Monthly Rate**

The monthly rate shall be as follows, based on estimated average monthly usage for unmetered lights:

| Consumer Owned              | Distribution |        |        |
|-----------------------------|--------------|--------|--------|
|                             | Billing      | Access | Total  |
| 175 Watt MVL 75 kWh         | \$0.05       | \$3.32 | \$3.37 |
| 250 Watt MVL 110 kWh        | \$0.07       | \$3.52 | \$3.59 |
| 400 Watt MVL 175 kWh        | \$0.10       | \$6.14 | \$6.24 |
| 100 Watt HPS 34 kWh         | \$0.02       | \$3.16 | \$3.18 |
| 150 Watt HPS 50 kWh         | \$0.03       | \$4.33 | \$4.36 |
| 250 Watt HPS 85 kWh         | \$0.05       | \$4.43 | \$4.48 |
| Pole Charge (if applicable) |              | \$4.00 | \$4.00 |

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
Lakeside, Arizona

**DIRECT ACCESS TARIFF**

**SCHEDULE NO. 5-A  
SECURITY LIGHTS**

| Cooperative Owned           | Distribution |        |        |
|-----------------------------|--------------|--------|--------|
|                             | Billing      | Access | Total  |
| 175 Watt MVL 75 kWh         | \$0.05       | \$5.07 | \$5.12 |
| 250 Watt MVL 110 kWh        | \$0.07       | \$5.87 | \$5.94 |
| 400 Watt MVL 175 kWh        | \$0.10       | \$9.74 | \$9.84 |
| 100 Watt HPS 34 kWh         | \$0.02       | \$6.16 | \$6.18 |
| 150 Watt HPS 50 kWh         | \$0.03       | \$7.33 | \$7.36 |
| 250 Watt HPS 85 kWh         | \$0.05       | \$7.43 | \$7.48 |
| Pole Charge (if applicable) |              | \$4.00 | \$4.00 |

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

**Meter Readings**

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Competitive Transition Charge (CTC)**

An additional charge of \$0.00605 per kWh shall be added to the bill for the recovery of stranded costs as determined in Decision 62612 by the Arizona Corporation Commission.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 5-A  
SECURITY LIGHTS

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 6-A  
STREET LIGHTING SERVICE

**Effective:** For electrical usage beginning on or about January 1, 2001 and billed beginning with the February 2001 cycle billings.

**Availability**

Available to municipal corporations and other organizations within the cooperative service area qualifying for street lighting service, subject to the cooperative's rules and regulations, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services.

**Type of Service**

Single-phase, 120/240 volts, 60 cycle alternating current.

**Application**

The consumer shall construct, maintain and operate the system.

Lamps to be controlled by timing devices or photoelectric units to provide for service from dusk until dawn.

**Monthly Rate**

The monthly rate shall be as follows, based on estimated average monthly usage for unmetered lights:

| Street Lighting Service | Distribution |        |        |
|-------------------------|--------------|--------|--------|
|                         | Billing      | Access | Total  |
| 175 Watt Lamp 75 kWh    | \$0.05       | \$5.07 | \$5.12 |
| 250 Watt Lamp 110 kWh   | \$0.07       | \$4.92 | \$4.99 |
| 400 Watt Lamp 175 kWh   | \$0.10       | \$9.74 | \$9.84 |
| 1000 Watt Lamp 435 kWh  | \$0.26       | \$9.72 | \$9.98 |
| 100 Watt Sodium 34 kWh  | \$0.02       | \$3.16 | \$3.18 |
| 150 Watt Sodium 50 kWh  | \$0.03       | \$4.33 | \$4.36 |
| 250 Watt Sodium 85 kWh  | \$0.05       | \$4.43 | \$4.48 |

**Tax Adjustment**

The applicable sales tax in Arizona will be added to bills where required.

The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

NAVOPACHE ELECTRIC COOPERATIVE, INC.  
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 6-A  
STREET LIGHTING SERVICE

**Terms of Payment**

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**Competitive Transition Charge (CTC)**

An additional charge of \$0.00605 per kWh shall be added to the bill for the recovery of stranded costs as determined in Decision 62612 by the Arizona Corporation Commission.

**Demand Side Management Program (DSMP) Adder**

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

**Environmental Portfolio Standard (EPS) Adder**

The utility shall add to its bill an EPS adder in the amount set forth in its separate Environmental Portfolio Standard tariff, of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote alternative generation requirements that satisfy the Environmental Portfolio Standard as approved by the Arizona Corporation Commission. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER**

**IN THE MATTER OF THE APPLICATION ) DOCKET NO. E-01787A-01-0063  
OF NAVOPACHE ELECTRIC COOPERATIVE, )  
INC., AN ARIZONA NON-PROFIT )  
CORPORATION FOR A FINDING OF FAIR )  
VALUE OF ITS PROPERTIES AND A FAIR )  
RATE OF RETURN THEREON, AND FOR )  
APPROVAL OF RATES AND CHARGES, )  
AND FOR APPROVAL OF CHANGES TO ITS )  
POLICY MANUAL. )**

**REJOINDER TESTIMONY OF**

**JUDY K. LAMBERT**

**C.H. GUERNSEY & COMPANY**

**ON BEHALF OF**

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**

**OCTOBER 17, 2001**

**TABLE OF CONTENTS**  
**REJOINDER TESTIMONY OF JUDY K. LAMBERT**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Introduction.....page 1

Purpose of Rebuttal Testimony.....page 1

Construction Work In Progress.....page 1

Depreciation Expense.....page 5

Accumulated Depreciation.....page 5

Operating Times Interest Earned Ratio (OTIER).....page 5

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**Q. Please state your name and business address.**

A. My name is Judy K. Lambert and my business address is 5555 North Grand Boulevard, Oklahoma City, Oklahoma 73112-5507.

**Q. Are you the same Judy K. Lambert who submitted Direct Testimony and Rebuttal Testimony in this proceeding?**

A. Yes, I am.

**Q. What is the purpose of your Rejoinder Testimony?**

A. My Rejoinder Testimony will respond to:

1. Staff Witness Asher D. Emerson's Surrebuttal Testimony on "Response to Navopache's Reclassification of CWIP;" and
2. Staff Witness Darron W. Carlson's Surrebuttal Testimony on Operating Times Interest Earned Ratio, Construction work in Progress, Depreciation Expense, and Accumulated Depreciation.

CONSTRUCTION WORK IN PROGRESS, DEPRECIATION EXPENSE AND  
ACCUMULATED DEPRECIATION

**Q. In his Surrebuttal Testimony Mr. Emerson states that Navopache's responses to Staff's two Data Requests were incomplete but that Navopache's Rebuttal Testimony dated September 12, 2001 provided the additional information (Surrebuttal Testimony of Asher D. Emerson, Page 1, Lines 19-22). Your Rebuttal Testimony included JKL Workpaper 1 which showed plant account**

1           **information and in service date for 1,024 Work Orders. What was the source**  
2           **of Data for JKL Workpaper 1?**

3           A.    I prepared JKL Workpaper 1 from Navopache's supplemental response filed on  
4           July 20, 2001 to Staff's Data Request ADE 5-47.

6           **Q.    Please describe how you prepared JKL Workpaper 1?**

7           A.    The response to Data Request ADE 5-47 was a lengthy document, which showed  
8           several line entries for most Work Orders. Under my supervision, the document  
9           was converted to a file format compatible with spreadsheets and the lines  
10          associated with each Work Order were subtotaled by Account Number. The Work  
11          Order number, description, and subtotals by plant account were transferred to a  
12          spreadsheet for JKL Workpaper 1. The response showed a grand total for the  
13          entries of \$3,133,210.70 and showed Work Orders closed to Distribution Plant  
14          Accounts 364, 365, 367, 369, and 373. Navopache provided me additional  
15          information related to Transmission Plant, Distribution Plant Substations, and  
16          General Plant. On JKL Workpaper 1, the rows labeled 1-1016 show these Work  
17          Orders closed to these same plant accounts. The remaining rows 1017-1024 on  
18          JKL 1 show Work Orders for Transmission Plant Accounts 355 and 356 and for  
19          Distribution Plant Account 362. The grand total for all 1,024 Work Orders on JKL  
20          Workpaper 1 is \$3,639,315.87.

21  
22  
23          The reclassified CWIP for General Plant accounts of \$333,089.44 is shown on  
24          JKL Workpaper 2 attached. The total test year CWIP that has been reclassified to  
25          plant in service is \$3,972,404.87, rounded to \$3,972,405.  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**Q. How many days did Staff have to review the data provided by Navopache?**

**A. Excluding the period from the date Navopache filed its application (January of 2001) until Navopache filed a response to Staff's first data request (May 18, 2001), Staff still had 125 days of which 89 were normal workdays to explore the CWIP issue. There were 63 total days, 43 of which are normal workdays, from the date Navopache responded to DRW 1-14 (May 18, 2001) until Staff propounded its first follow-up data request on the CWIP issue (ADE 5-47) on July 20, 2001; then Staff had another 6 days, of which 4 are normal workdays, to review Navopache's responses to ADE 5-47 (provided Staff August 8, 2001) before filing its direct testimony on August 15, 2001; and then Staff had another 56 days, 39 of which are normal workdays, between the date Navopache responded to ADE 5-47 (August 8, 2001) and the date Staff filed its surrebuttal testimony on October 3, 2001. Even if one were to accept Staff's position that adequate information was not provided until Navopache filed its Rebuttal Testimony on September 12, 2001, Staff still had a minimum of 21 days, of which 15 days were normal workdays, to review and verify the data. In summary Staff had the work order numbers, general description and plant values as of May 18, 2001, conducted an on site visit and was provided detailed support for the inclusion of end of test year CWIP as plant in service on August 8, 2001 and then again on September 12, 2001.**

1           **Q.    In their Surrebuttal Testimony, Mr. Emerson and Mr. Carlson continue to**  
2           **recommend disallowance of Navopache's reclassification of CWIP to plant in**  
3           **service. In your opinion, has Navopache presented sufficient information to**  
4           **support the reclassification of the CWIP to plant in service?**

5           **A.    Yes. The response to ADE 5-47 and the schedules and workpapers in my**  
6           **Rebuttal Testimony contain sufficient information to reasonably conclude that the**  
7           **\$3,972,405 of the 10/31/1999 CWIP balance of \$4,361,247 had been placed in**  
8           **service by the end of the test year and the plant is used and useful to Navopache's**  
9           **consumers. The workpapers (JKL Workpaper 1 and JKL Workpaper 2) show**  
10          **1,024 Work Orders for Transmission and Distribution Plant and 6 Work Orders**  
11          **for General Plant. A brief description is included with each Work Order.**  
12          **Excluding the Work Order for Account 362, to me it is apparent from these**  
13          **descriptions and from the dollar amounts that the Work Orders for Transmission**  
14          **and Distribution plant were for work of very short duration – perhaps one-half day**  
15          **to one week. Excluding the Work Order for Account 362, the average**  
16          **transmission and distribution Work Order is \$3,094.71.**

17  
18  
19          The 6 Work Orders for General Plant are for GIS/SCADA equipment, remodel  
20          meter shop, warehouse addition, and new roof on main office. Even though I have  
21          not personally visited or inspected Navopache's main office, it seems reasonable  
22          to accept that there is a roof on the main office.

23  
24          I consider it reasonable to accept that listing over 1,000 Work Orders is sufficient  
25          and reasonable information from which to ascertain that the \$3,972,405  
26

1 reclassification of CWIP requested in my Rebuttal Testimony was and is used and  
2 useful to Navopache's consumers.

3  
4 **Q. What depreciation expense should be allowed to Navopache?**

5 A. Navopache should be allowed adjusted test year depreciation of \$2,206,966 as  
6 shown on JKL Rebuttal Schedules 3 and 4.

7  
8 **Q. In your Rebuttal Testimony you removed Accumulated Depreciation of**  
9 **\$337,517. Please describe that Accumulated Depreciation.**

10 A. The audit for the period ending October 31, 1999, in Schedule 2 of the  
11 Accompanying Information section, describes the \$337,517 as "Amortization of  
12 Electric Plant Acquisition and Miscellaneous Intangible Plant." Navopache has  
13 identified \$115,930 associated with the Amortization of Electric Utility Plant and  
14 \$221,587 associated with the amortization of electric plant acquisition adjustment.

15  
16 These items are not related to CWIP. During the test year Navopache did not  
17 book any depreciation expense or accumulated depreciation associated with the  
18 requested reclassified CWIP.

19  
20 OPERATING TIMES INTEREST EARNED RATIO (TIER)

21  
22 **Q. In your Rebuttal Testimony you recommended a revenue requirement of**  
23 **\$29,089,629 for Navopache. Is that revenue requirement based on a historical**  
24 **test year adjusted for known and measurable standards?**

25 A. Yes. JKL Rebuttal Schedule 4 shows the \$29,089,629 revenue requirement based  
26 on the historical test year ending 10/31/1999 with adjustments for known and

1 measurable changes. This schedule identifies adjusted test year operating  
2 expenses (purchased power through tax) of \$25,265,291. The schedule also  
3 identified adjusted test year Interest and Other Deductions totaling \$1,978,785 of  
4 which \$1,845,553 is adjusted test year interest expense on long-term debt.  
5 Column (e) of this schedule shows an Operating Margin of \$1,845,553, which is  
6 equal to the adjusted test year interest expense. The total revenue requirement is  
7 Operating Expenses plus Interest and Other Deductions plus Operating Margin  
8 (\$25,265,291 + \$1,978,785 + \$1,845,553 = \$29,089,629). The required return of  
9 \$3,824,338 is the Interest and Other Deductions plus the Operating Margin  
10 (\$1,978,785 + \$1,845,553 = \$3,824,338).  
11

12  
13 Navopache has met the standard of a historical test year with adjustments for  
14 known and measurable changes.

15  
16 **Q. Has Mr. Carlson included any analysis supporting his recommendation of a**  
17 **1.5 Operating TIER?**

18 A. No. Mr. Carlson testifies that he "reviewed the impact on the ratios." (Surrebuttal  
19 Testimony of Darron W. Carlson, Page 10, Lines 21-22.) He has not included any  
20 schedules or workpapers of his review with his Surrebuttal Testimony.

21  
22 **Q. Are you still recommending a revenue requirement based on a 2.0 Operating**  
23 **TIER?**

24 A. Yes. In their filing and in Rebuttal Testimony, Navopache submitted analysis of  
25 the requested 2.0 for review and evaluation. The Planning Horizon study analysis  
26 submitted in Navopache's filing and in my Rebuttal Testimony show the

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

reasonableness of the 2.0 Operating TIER and the inadequacy of the Staff's recommendation of a 1.5 Operating TIER. The only substantive analysis offered on an appropriate Operating TIER for Navopache is contained in Navopache's original application, its Rebuttal Testimony, and its Rejoinder Testimony. The Staff continues to offer a position or opinion without any supporting analysis. Staff's unsupported position or opinion simply does not rebut either the Planning Horizon study I performed or the analysis prepared by Mr. Edwards of CFC.

Navopache's requested revenue requirement based on a 2.0 Operating TIER is reasonable, necessary, prudent, supported by adequate analysis and should be granted.

**Q. Does this conclude your rejoinder testimony?**

**A. Yes.**

109/-29-15-7/Testimony/Rejoinder Testimony.Lambert.101701

## NAVOPACHE ELECTRIC COOPERATIVE, INC.

GENERAL PLANT WORK ORDERS CLOSED SINCE  
November 1, 1998 to October 31, 1999

| <u>W/O</u> | <u>Description of Work</u> | <u>Acct 390</u>         | <u>Acct 397</u> | <u>TOTAL</u> | <u>Deprec.<br/>Rate</u> |
|------------|----------------------------|-------------------------|-----------------|--------------|-------------------------|
| 1          | 87                         | RTU Change Out - SCADA  |                 | 169,698.90   | 20.0000%                |
| 2          | 88                         | Remodel Meter Shop      | 75,201.80       | 75,201.80    | 6.6667%                 |
| 3          | 89                         | GIS/SCADA Network       |                 | 51,470.00    | 20.0000%                |
| 4          | 90                         | Warehouse Addition      | 9,056.63        | 9,056.63     | 6.6667%                 |
| 5          | 91                         | New Roof on Main Office | 24,983.52       | 24,983.52    | 6.6667%                 |
| 6          | 92                         | Warehouse Addition      | 2,678.59        | 2,678.59     | 6.6667%                 |
|            | TOTAL                      | 111,920.54              | 221,168.90      | 333,089.44   |                         |

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER**

**IN THE MATTER OF THE APPLICATION ) DOCKET NO. E-01787A-01-0063  
OF NAVOPACHE ELECTRIC COOPERATIVE, )  
INC., AN ARIZONA NON-PROFIT )  
CORPORATION FOR A FINDING OF FAIR )  
VALUE OF ITS PROPERTIES AND A FAIR )  
RATE OF RETURN THEREON, AND FOR )  
APPROVAL OF RATES AND CHARGES, )  
AND FOR APPROVAL OF CHANGES TO ITS )  
POLICY MANUAL. )**

**REJOINDER TESTIMONY OF**

**WILLIAM K. EDWARDS**

**NATIONAL RURAL UTILITIES COOPERATIVE  
FINANCE CORPORATION**

**ON BEHALF OF**

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**

**OCTOBER 17, 2001**

**TABLE OF CONTENTS**  
**REJOINDER TESTIMONY OF WILLIAM K. EDWARDS**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Introduction.....page 1

Purpose of Rebuttal Testimony.....page 1

Explanation as to Why a 1.5 OTIER is Inadequate.....page 1

Discussion Regarding Whether a 1.5 would Qualify Navopache for  
Future CFC Loans.....page 2

Explanation of Why Pending RUS Financing Does Not Change CFC's  
Recommended 2.0 OTIER for Navopache.....page 3

1 REJOINDER TESTIMONY OF WILLIAM K. EDWARDS  
2 DOCKET NO. E-1787A-01-0063  
3 PAGE 1

4 **Q. What is your name and business address?**

5 A. My name is William K. Edwards. My business address is 2201 Cooperative  
6 Way, Herndon, Virginia 20171.  
7

8  
9 **Q. Are you the same William K. Edwards that provided Rebuttal Testimony in  
10 this proceeding on behalf of Navopache?**

11 A. Yes, I am.  
12

13 **Q. What is the purpose of your Rejoinder Testimony?**

14 A. The purpose of my Rejoinder Testimony is to rebut the Commission Staff's (Mr.  
15 Carlson) Surrebuttal Testimony that a reasonable TIER for Navopache Electric  
16 Cooperative, Inc. ("Navopache") is 1.5.  
17

18 **Q. The Staff witness, Mr. Carlson states in his Surrebuttal Testimony that a 1.5  
19 OTIER is adequate. Do you agree?**

20 A. No. In my Rebuttal Testimony, I produced a number of financial ratios that  
21 demonstrate Navopache is a distressed utility. Additionally, I describe the  
22 need and prudence associated with building the Cooperative's equity back up to  
23 a respectable level.  
24  
25  
26

4 **Q. Will an OTIER ratio of 1.5 qualify Navopache for future CFC loans?**

5 A. Not necessarily. As stated in my previous testimony, the minimum requirement  
6 of a 1.35 MDSC is an absolute minimum. CFC, and I would imagine the RUS,  
7 wants to assuage themselves that there is an excellent opportunity that they will  
8 be repaid over the life of the loan. Assuming arguendo, that Mr. Carlson's  
9 assertion that a 1.5 OTIER will produce a 1.76 MDSC, it is obvious that these are  
10 low values compared to the financial ratios contained in my Rebuttal Testimony  
11 for the broader cooperative industry. Additionally, these low values represent a  
12 test year whereby rates are set. I suspect that these ratios will deteriorate in  
13 ensuing years as they did since the preceding rate case. It is this deterioration  
14 over time that: (1) keeps Navopache in financial duress, and (2) endangers its  
15 access to future credit.  
16

17  
18 In my Rebuttal Testimony, I recommend that the allowed OTIER for Navopache  
19 be set at 2.0 to promote recovery from its depleted state. Additionally, I  
20 recommended then, and recommend now that, the Commission permit a 2.0  
21 OTIER and, if required to assuage the Commission that Navopache is not over-  
22 earning, review it periodically.  
23  
24  
25  
26

4 **Q. In Mr. Carlson's Surrebuttal Testimony (p. 12), he states that the next**  
5 **"pending finance package is to be funded by RUS with no participation from**  
6 **CFC." Does this change your recommendations in any way?**

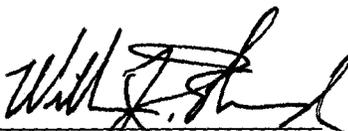
7 A. No. Until Navopache repays CFC all the monies owed CFC, CFC will have a  
8 continued economic interest in Navopache and will expect that: (1) Navopache  
9 adhere to the minimum financial ratios and any other provisions implicit in the  
10 covenants between CFC and Navopache, and (2) Navopache will operate the  
11 utility in a prudent manner designed to protect both the member's equity, and the  
12 creditors interests.  
13

14  
15 **Q. Does this conclude you Rejoinder Testimony?**

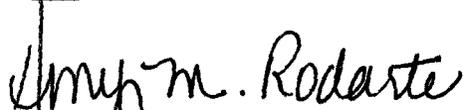
16 A. Yes.  
17

State of Virginia )  
Fairfax County )

William K. Edwards, being duly sworn, deposes and says that the statements contained in the foregoing prepared testimony and the exhibits attached hereto are true and correct to the best of his knowledge, information and belief, and that such prepared testimony constitutes his sworn testimony in this proceeding.

  
William K. Edwards

SWORN TO AND ASCRIBED BEFORE ME THIS THE 11<sup>th</sup> DAY OF October A.D.  
2001.

  
Notary Public

My Commission Expires:

November 30, 2002