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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

JAN 17 2008

DOCKETED BY *ROM*

IN THE MATTER OF THE APPLICATION OF )  
GRAHAM COUNTY ELECTRIC COOPERATIVE )  
INC. FOR A DETERMINATION OF THE FAIR )  
VALUE OF ITS PROPERTY AND FOR AN )  
ORDER SETTING JUST AND REASONABLE )  
RATES )

DOCKET NO. E-01749A-07-0236

**REJOINDER TESTIMONY**

Graham County Electric Cooperative, Inc. ("GCEC") hereby files the Rejoinder  
Testimony of Mr. John V. Wallace.

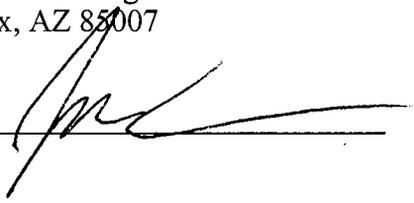
RESPECTFULLY SUBMITTED this 17<sup>th</sup> day of January, 2008.

By

John Wallace  
Grand Canyon State Electric Cooperative Assn. Inc.  
Consultant for Graham County Electric  
Cooperative, Inc.

1 **Original** and thirteen (13) copies filed this  
17<sup>th</sup> day of January, 2008, with:

2 Docket Control  
3 Arizona Corporation Commission  
4 1200 W. Washington  
Phoenix, AZ 85007

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTEN K. MAYES  
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. E-01749A-07-0236  
GRAHAM COUNTY ELECTRIC COOPERATIVE )  
INC. FOR A DETERMINATION OF THE FAIR )  
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RATES )  
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REJOINDER

TESTIMONY

OF

JOHN V. WALLACE

GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

JANUARY 17, 2008

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Summary

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1 **I. INTRODUCTION AND SUMMARY OF TESTIMONY RECOMMENDATIONS**

2 Q. Please state your name address and occupation.

3 A. My name is John V. Wallace. I am the Director of Regulatory and Strategic Services of  
4 Grand Canyon State Electric Cooperative Association ("GCSECA"). I am filing  
5 testimony on behalf of Graham County Electric Cooperative, Inc. ("GCEC" or  
6 "Cooperative").

7  
8 Q. Are you the same John V. Wallace that filed direct, supplemental and rebuttal testimony  
9 in this docket?

10 A. Yes. I am.

11  
12 Q. Was this testimony prepared by you or under your direction?

13 A. Yes, it was.

14  
15 Q. What areas does your rebuttal testimony address?

16 A. My testimony addresses the recommendations in direct and revised direct testimony of  
17 Staff witness Jerry D. Anderson.

18  
19 Q. Please summarize your rejoinder testimony recommendations.

20 A. As stated in my rebuttal testimony, GCEC stipulates to the testimony of all four  
21 Staff witnesses and requests that the Commission adopt all of the recommendations in  
22 Staff's testimony. However, upon further review of Mr. Anderson's revised direct  
23 testimony, GCEC has two recommendations regarding Staff's Demand Side Management  
24 ("DSM") recommendations. The first is recommendation is that requirement in Decision  
25 No. 58437, dated October 18, 1993, that GCEC file a semi-annual DSM report with Staff  
26 be eliminated. The second recommendation is that in the future, GCEC be allowed to file  
27 an annual DSM report rather than the semi-annual DSM report as stated in Mr.  
Anderson's testimony.

1     **II.     DSM RECOMMENDATIONS**

2     Q.     Staff is recommending in Mr. Anderson's revised direct testimony at page 17, starting on  
3           line 11, that GCEC file a semi-annual DSM report once a DSM program has been pre-  
4           approved by the Commission. Does the Commission already require GCEC to file a  
5           semi-annual DSM report?

6  
7     A.     Yes, it does. Decision No. 58437 which approved a rate increase for GCEC also required  
8           that GCEC file a semi-annual DSM report on its DSM activities.

9  
10    Q.     Generally, what has GCEC included in the semi-annual DSM reports that it has filed with  
11           the Commission?

12    A.     Beginning in 1994, Graham County Electric Cooperative Inc. ("GCEC") installed  
13           interruption equipment and offered an interruptible discount to its irrigation customers  
14           who could accommodate interruptions of electric service. GCEC would interrupt these  
15           irrigation customers in advance of Arizona Electric Power Cooperative (AEPCO)  
16           reaching its system peak and give these customers a discount in their demand charges for  
17           such interruptions. Over time the interruption equipment failed and GCEC was not able  
18           to get replacement parts from its supplier. This interruptible program is GCEC's only  
19           DSM program and was never formally filed with or approved by Staff. This interruptible  
20           program has been implemented in compliance with GCEC's interruptible tariff which  
21           was approved in Decision No. 58437 and is not a pre-approved DSM program.

22  
23  
24  
25           Between the years 1994 and 2003, GCEC did not record the dates of interruption, number  
26           of interruptions, number of customers who interrupted their service and the KW and  
27           associated AEPCO demand costs that were avoided. Consequently, GCEC has no DSM  
          activity to report to the Commission from 1994 until 2003.

1 In 2003, GCEC installed new interruption equipment. As a result of the installation of  
2 the new equipment, GCEC has tracked and recorded the dates of the AEPCO peak, KW  
3 demand shed on-peak and has computed the AEPCO KW demand costs saved from  
4 interruptible load shedding.

5  
6 Q. Is it beneficial or cost effective for GCEC to continue to file a DSM report in compliance  
7 with Decision No. 58437?  
8

9 A. No, it is not. GCEC does not currently have a Commission approved DSM program and  
10 consequently has no DSM activity to report other than the occasional interruptions  
11 associated its interruptible tariff. Once a DSM program has been approved by the  
12 Commission in the future, GCEC will file a DSM report in accordance with the Decision  
13 in this case. It is duplicative and not cost effective for GCEC to continue to file a DSM  
14 report in compliance Decision No. 58437.  
15

16 Q. Is GCEC also recommending that the Staff DSM recommendation to require a semi-  
17 annual report on DSM activities be modified to an annual reporting requirement?

18 A. Yes, it is. GCEC makes this recommendation because it and its members have incurred  
19 the cost of having to prepare semi-annual reports for several years. If the Commission  
20 approves Staff's DSM recommendations in this case, then GCEC will be required to seek  
21 and receive Commission pre-approval of any DSM activities. As a result, there is less of  
22 a need to file more frequent and costly DSM reports because the DSM programs will  
23 have been pre-approved by the Commission. DSM programs are typically established  
24 and proven to be cost-effective programs and will not change on a semi-annual basis.  
25 Consequently, there is no benefit to GCEC or its members to require GCEC to file a  
26 semi-annual versus an annual DSM report. For these reasons, GCEC requests that the  
27 Commission adopt an annual DSM report filing requirement to save GCEC and its  
members the additional costs associated with filing a semi-annual DSM report.

1 Q. Does that conclude your rejoinder testimony?

2 A. Yes, it does.

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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

OCT 18 1993

MARCIA WEEKS  
CHAIRMAN  
RENZ D. JENNINGS  
COMMISSIONER  
DALE H. MORGAN  
COMMISSIONER

DOCKETED BY *JOL*

IN THE MATTER OF THE APPLICATION OF )  
GRAHAM COUNTY ELECTRIC COOPERATIVE, )  
INC. FOR AN ORDER DETERMINING THE )  
FAIR VALUE OF ITS PROPERTY DEVOTED )  
TO THE PUBLIC USE AND FOR AN ORDER )  
SETTING JUST AND REASONABLE RATES )  
THEREON. )

DOCKET NO. U-1749-92-298

IN THE MATTER OF THE APPLICATION OF )  
GRAHAM COUNTY UTILITIES, INC. FOR A )  
DETERMINATION OF THE FAIR VALUE OF )  
ITS PROPERTY DEVOTED TO PUBLIC USE, )  
AND FOR AN ORDER SETTING JUST AND )  
REASONABLE RATES THEREON. )

DOCKET NO. U-2527-92-303

DECISION NO. 58437

OPINION AND ORDER

DATE OF HEARING: April 21, 1993 (Public Comment);  
June 3-4, 1993 (Hearings)

PLACE OF HEARING: Safford, Arizona (Public Comment);  
Tucson, Arizona (Hearings)

PRESIDING OFFICER: Patricia E. Cooper

APPEARANCES: JOHNSTON MAYNARD GRANT & PARKER, by Mr.  
Michael M. Grant, on behalf of the  
Applicant;

Ms. Elaine A. Williams, Staff Attorney, on  
behalf of the Residential Utility Consumer  
Office;

Ms. Elizabeth A. Kushibab, Staff Attorney,  
Legal Division, on behalf of the Arizona  
Corporation Commission Staff.

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1 Therefore, we will approve the proposal.

2 Demand Side Management and Photovoltaic

3 Staff further recommended that the Electric Cooperative expand  
4 its current demand side management ("DSM") program to:

5 a). review each customer class to determine and evaluate  
6 potential DSM activities;

7 b). initiate irrigation pumping efficiency programs;

8 c). begin implementation of its DSM plan developed with AEPCO  
9 using Staff-approved program elements;

10 d). when appropriate, develop its own DSM proposals, including  
11 possible energy efficiency demonstration projects, and submit them to  
12 Staff for pre-approval;

13 e). recover pre-approved DSM program costs through its wholesale  
14 power cost adjustor or through AEPCO's cost recovery program for pre-  
15 approved DSM programs; and,

16 f). submit to Staff semi-annual reports on its DSM activities.

17 Additionally, Staff suggested that Graham Electric provide  
18 information on photovoltaic ("PV") systems to its potential line  
19 extension customers located in remote areas. Staff recommended that  
20 the brochure entitled "The Solar Electric Option (Instead of a Power  
21 Line Extension)" be provided if the "Staff Guidelines on Photovoltaic  
22 Versus Line Extensions" indicate that a stand alone PV system is  
23 likely to be less costly than a particular line extension.

24 We will approve Staff's DSM and PV system recommendations as they  
25 were unopposed.

26 Pension Funding

27 Graham Electric agreed to remove \$68,890 in National Rural  
28 Electric Cooperative Association ("NRECA") employee pension costs from

1 Inc., shall submit, on or before December 31, 1994, an analysis of its  
2 irrigation customers' demand and its irrigation tariffs.

3 IT IS FURTHER ORDERED that Graham County Electric Cooperative,  
4 Inc., shall expand its demand side management program as follows:

- 5 a). Review each customer class to determine and evaluate  
6 potential demand side management activities;
- 7 b). Initiate an irrigation pumping efficiency program;
- 8 c). Begin implementation of its demand side management plan  
9 developed with AEPCO using Staff approved program  
10 elements; and,
- 11 d). Provide information on photovoltaic systems to its  
12 potential line extension customers located in remote  
13 areas by giving each such customer the brochure  
14 entitled "The Solar Electric Option (Instead of a Power  
15 Line Extension)" if the "Staff Guidelines on  
16 Photovoltaic versus Line Extensions" indicate that a  
17 stand-alone photovoltaic system is likely to be less  
18 costly than the contemplated line extension.

19 IT IS FURTHER ORDERED that Graham County Electric Cooperative,  
20 Inc., is hereby authorized to recover the costs of its demand side  
21 management programs for which the Director of the Utilities Division  
22 has pre-approved the details.

23 IT IS FURTHER ORDERED that the costs for all pre-approved demand  
24 side management programs shall be recovered through Graham County  
25 Electric Cooperative, Inc.'s, wholesale power cost adjustor or through  
26 AEPCO's cost recovery program for pre-approved demand side management  
27 programs.

28 IT IS FURTHER ORDERED that Graham County Electric Cooperative,

1 Inc., shall submit semi-annual reports to the Utilities Division on  
2 its demand side management activities.

3 IT IS FURTHER ORDERED that Graham County Electric Cooperative,  
4 Inc., shall account for future NRECA pension costs in a deferral  
5 account and seek their recovery in a future rate proceeding.

6 IT IS FURTHER ORDERED that the docket in this matter shall remain  
7 open for a period of not more than four months from the effective date  
8 of this Decision to allow for consideration of the results of the  
9 Utilities Division's audit of AEPCO and the issuance of a Final Order  
10 in this proceeding.

11 IT IS FURTHER ORDERED that Graham County Utilities, Inc., is  
12 hereby authorized and directed to file with the Commission on or  
13 before October 31, 1993, a new schedule of gas rates and charges  
14 increasing operating revenues by \$201,086, exclusive of any fuel  
15 adjustor as set forth in Exhibit B.

16 IT IS FURTHER ORDERED that Graham County Utilities, Inc., is  
17 hereby authorized and directed to file with the Commission on or  
18 before October 31, 1993, a new schedule of water rates and charges  
19 increasing operating revenues by \$30,334 as set forth in Exhibit C.

20 IT IS FURTHER ORDERED that such new schedules of rates and  
21 charges shall be consistent with the Discussion, Findings of Fact, and  
22 Conclusions of Law of the Commission hereinabove.

23 IT IS FURTHER ORDERED that said rates and charges shall be  
24 effective for all gas and water service provided on and after November  
25 1, 1993.

26 IT IS FURTHER ORDERED that Graham County Utilities, Inc., shall  
27 notify its gas and water customers of the increased rates and charges  
28 authorized herein and the effective date of same as part of its next